FOREIGN PRESS SURVEY

Foreign Broadcast Information Service

PACIFIC RIM Economic Review

In This Issue...

***Features:*

— Japan's Food Agency Criticized Over Rice Panic
— Shanghai's Successes, Efforts in Attracting Foreign Investments
— DPRK's Interest in 'Chinese-Style Economic Reforms' Noted
— Philippines' Davao Focusing on Economic Growth

23 March 1994
Vol 3, No 6
FBPSP 94-006

FBIS East Asia Group • (703) 733-6090

Notice to Readers: The **FOREIGN PRESS SURVEY** is a subtitled series published by FBIS. The Survey Series features summaries of foreign media reports on topical issues compiled from the most recent media sources available at FBIS Headquarters and FBIS field bureaus.

The **PACIFIC RIM ECONOMIC REVIEW** is a subseries of the Survey Series. The **REVIEW** is published biweekly by East Asia Group and contains a selection of reports on economic topics appearing in foreign newspapers, magazines, and journals, as well as radio, television, press agencies, and data base sources, primarily from the countries of the Pacific Far East. Material is presented alphabetically by geographic area, and then arranged alphabetically by topic where possible. All articles in the **REVIEW** are summaries of original foreign media reports and are presented in two formats: "Feature" articles, which either summarize a lengthy report from a single source or summarize media reports on the same subject appearing in more than one foreign media source; and shorter summaries of news reports, usually from one source.

The **FOREIGN PRESS SURVEY/PACIFIC RIM ECONOMIC REVIEW** is a U.S. Government publication.

Comments and queries regarding the material contained in the **PACIFIC RIM ECONOMIC REVIEW** may be directed to the following:

China: 703-733-6404
Japan: 703-733-6534
Southeast Asia/the Koreas: 703-733-6522

PACIFIC RIM ECONOMIC REVIEW
23 March 1994

Table of Contents

JAPAN

Economic Trends

FEATURE: Retention of Large Retail Store Law Criticized 1
FEATURE: Food Agency Under Severe Criticism Over Rice Panic 3
IBJ Capital Investment Survey Reveals 6.1 Percent Decline 5

Financial Issues

Chinese Provinces Urge Japanese Banks To Set Up Branches 6
China To Authorize Japanese Banks To Use Yuan 7
MOF Sale of 90 Tons of Gold Likely To Affect International Market 7
BOT Concludes Investment Agreement With Colombia 8

Foreign Trade and Investment

Malaysia

Daiken, Itochu To Set Up Company To Manufacture Fiberboard 8
Mitsubishi Materials Establishes Ceramic Parts Subsidiary 8
Ichikoh Industries Expanding Production Operations 9

North Korea

Japanese Hijacker Heads Firm Promoting Trade With Japan 9

Machine Tools/Robotics

FEATURE: MT Companies Strengthening International Ties 10
Fanuc Pulls Robot-Programming Software Off the Market 12
Firm Develops New Machine To Process Aircraft Engine Parts 12

Petroleum/Energy

Firms To Participate in Indonesian Coal Mining Project 13

Semiconductors/Computers/Electronics

FEATURE: NEC, Samsung To Cooperate in 256M DRAM Research 13
Canon, NAL To Research Parallel Processing Technologies 14
JEOL Sets Up Semiconductor Equipment Sales Office in South Korea 14

Telecommunications/Satellites

FEATURE: MPT-NTT Maneuvering on Next-Generation Communications 15
Communications Companies Begin Testing 'Personal Handy Phones' 16

CHINA

Domestic Developments

Guangzhou's 1993 Economic Growth Maintains Double-Digit Increase 18
Outlook for Auto Industry in 1994 18
Shenzhen SEZ Plans To Establish Auto Industry 19
Guizhou Defense Enterprises Support Rural Enterprises 20
Guangzhou Per Capita GDP Highest in PRC 20
Guangxi Regional Airline Set for 28 March Launch 20

Foreign Trade and Investment

FEATURE: Shanghai's Successes, Efforts in Attracting Foreign Investments 21
Anhui Increases Foreign Investment, Enterprises in 1993 22
Shenzhen Foreign Trade Authority Announces New Tilt in Nine Policies 22
PRC-Funded Firms Boost Booming Hong Kong Real Estate Market 23
Hong Kong Investment Funds Created for PRC Investment 24
Hong Kong Dominates Foreign Investment in Beijing 24
Wholesale Grain, Oil Markets Show Kapid Development 24
Golden Resources Sets Up Rice Processing Venture in Vietnam 24
Guangdong Governor Wants More Foreign Banks, Cites Funds Shortage 24
South African Bank Opens Representative Office in Beijing 25
Shandong Reports Use of Foreign Government Loans 25
Danish Company Plans Investment in Tianjin Development Zone 25
Tianjin Plans To Build Four Projects With Singapore 25
Taiwan Shipping Giant To Invest in Mainland Facilities 25
Taiwan Company Invests in Fujian, Shanghai 26
Guangxi's Beihai City To Set Up Industrial City With Singapore Help 26
Shenzhen Reaches Agreement With South Korean Firm on Oil Refinery 26
Heilongjiang Imports Telephone Switchboards From Australia 26
Heilongjiang Uses German Loan To Upgrade Switchboards 27
Tianjin Signs First Joint-Venture Agreement With Poland 27
Hutchison To Build 12-Billion-Yuan Power Plant in Shenzhen 27
Fujian's Fuzhou City Uses Foreign Funds For Agricultural Development 27

TAIWAN

Taiwan's 1993 Mainland Investment Trend Outlined 27
Companies Planning To Invest in Mainland's Hainan Province 28
Minister of Economic Affairs Warns Taipei To Avoid Super 301 29
Plans To Export Arms, Planes, Missiles 29
Exports to United States Reverse Course, Increase in Dec 93, Jan 94 29
Competitive Edge in U.S., Japan Deteriorates 30
National Council Views Impact of Entry Into GATT on Local Industries 30
Profit Rate of Manufacturing Sector Declines 30

NORTH KOREA

FEATURE: DPRK's Interest in 'Chinese-Style Economic Reforms' Noted 31
Efforts Marking Beginning of 'Adjustment Period' Reported 32

SOUTH KOREA

FEATURE: Trade Ministry Announces New China Policy 32
FEATURE: ROK Announces Decision on Mid-Size Aircraft 34
FEATURE: South Korea Building Two New Research Institutes 35
ROK Advertises for Expatriate, Foreign Scientists 36
Steel Firm Imports North Korean Scrap Iron 38
Car Makers Consider New Production Method To Raise Productivity 39
China's Currency, Tax Reforms To Be 'Direct Blow' to ROK Exports 39
South Korea To Set Up 'KORNET'--Korea Internet 39
Government To Regulate Transport of Industrial Waste 40
Hyundai Motors To Market 'Fully Indigenous' Automobile 40
Sunkyong Industries Develops Biodegradable Film 41
Yukong Enters Power Generation, Liquefied Gas Business 41
Real Estate Company Becomes First Private Owner of Public Firm 41
Goldstar Signs Multimedia Deal With U.S. Company 41
Daewoo Electronics To Export Computer Monitors to U.S. Firm 41
Koryo Zinc To Develop Lead, Zinc Mines in Canada 41
Daewoo Motors Enters Partnership With Japan's Honda 42
Sambo To Export Personal Computers to Japan 42
Goldstar To Build Television Plant in Vietnam 42
Daewoo To Export Forklifts to United States 42
Korea Nambang Development To Advance Into PRC, Indonesia 42
Daewoo To Build Joint Venture Auto Plant in PRC 43
Il-yang, Chinese Firm To Build Pharmaceutical Factory in Jiangsu 43
Inchon Steel Receives Order From Indonesia 43
Dongbu Steel To Transfer Silicon Technology to German Firm 43
Daewoo Car Audio Plant in Tianjin Begins Operations 43

SOUTHEAST ASIA

INDONESIA

Paiton Electric Power Agreement Signed 44
Increased Competition Expected in LNG Market 44
Batam Island To Be 'Center' for Taiwanese Investments 44
P.T. Pindad To Shift Production, Marketing Focus 44
State-Owned Gas Company To Receive $424-Million Loan 45
Increase in Trade With Taiwan Expected 45

LAOS

French Firm To Build Hydropower Station 45

MALAYSIA

Mahathir Outlines Strategy for Space Industry 45
Telekom Malaysia To Provide Services in India 46

PHILIPPINES

FEATURE: Davao Focusing on Economic Growth 46
Consortium To Undertake Water Project 47
Increase in Money Supply Noted 47
Decrease in Foreign Investment Reported 47

SINGAPORE

OCBC Launches Fund for Investment in China 47
Company To Build Oil Terminal in Nigeria 48

THAILAND

Norwegian Company To Invest in Gas Venture 48

VIETNAM

Joint Venture With Daewoo To Assemble Trucks, Buses, Vans 48
Malaysian Company To Build Industrial Compound in Dong Nai 48
Interior Ministry Firm Forms Venture With Hong Kong Firm 48
Venture With Russian Company To Produce Tractor Parts 49
Cardphone Company Inaugurates Center in Ho Chi Minh City 49
Industrial Output Increases to $1.9 Billion in 1993 49
Electricity Output Increases Reported 49
Export, Import Figures for 1993 Reported 49
Haiphong Tops Hanoi, Ho Chi Minh City in Industrial Growth 50
GDP Figures for 1993 Reported 50
Korean Oil Company Reports Offshore Discovery 50
Hanoi Airport Expressway Opens 50
Norwegian Company Discovers Natural Gas Offshore 50

JAPAN

Economic Trends

FEATURE: Retention of Large Retail Store Law Criticized

> ***The Ministry of International Trade and Industry (MITI) will revise the Large Retail Store Law to ease some restrictions while maintaining the basic framework of the law, according to press reports. Several articles note that the law has survived because the U.S. Government did not pressure Japan to abolish it. The positions of small retailers, who initially supported the law, and the large supermarket chains, which opposed it, now have been reversed.***

Writing in the 22 February NIHON KEIZAI SHIMBUN (NIKKEI), editorial staff writer Sumikazu Asakawa questions the Hosokawa Government's determination to promote deregulation and criticizes the recent draft revision of the Large Retail Store Law for "not even returning to the level of the original law" enacted in 1974. According to Asakawa, large retail stores with a floor space of up to 1,000 square meters--double the provisions of the current law--will be able to open without restrictions under the revised law. But this change "is still far from deregulation," he notes, since stores with a floor space of up to 1,500 square meters were "free of restriction" under the original 1974 law. The law was "strengthened" in the following 10 years.

Asakawa argues that the Hosokawa Government's retail store policies ought to respond to consumer needs by promoting the expansion of large discount stores, such as the American retailing chain "Toys R Us." He notes that discount stores have increased their annual sales by almost 10 percent and thus have contributed to increasing personal consumption. In contrast, overall sales by all other retail stores, including department stores and large supermarkets, have dropped. While discount stores with a floor space of about 1,000 square meters specializing in men's clothing and liquor are increasing, Asakawa writes, there is an increasing need for factory outlet stores and home improvement centers that require more than 3,000 square meters of floor space. He concludes that the Large Retail Store Law "continues to block the introduction" of these types of large stores, which consumers want.

Writing in the 6 March NIKKEI, Sueaki Takaoka, chairman of Seiyu, a large supermarket chain, notes that in addition to the Large Retail Store Law, there are many local ordinances that have been "added on top of the law" by local governments to further strengthen restrictions. Takaoka notes that MITI began guiding local governments to repeal some local rules in 1992, when the revised store law was enacted. But he states that without a national law, which generally takes precedence over local ordinances, large stores are concerned about how local ordinances will be enforced.

At MITI's direction, a joint commission of the Industrial Structure Council's Distribution Subcommittee and the Distribution Subcommittee of the Small and Medium Enterprise Policymaking Council has submitted a report recommending easing some restrictions while "maintaining the framework" of the Large Retail Store Law, according to the 1 February

NIKKEI. A bill revising the law, based on this recommendation, will be submitted to the Diet in March, and the revision is expected to take effect in April 1994.

Law Has Survived Because No Foreign Pressure Exerted

In an article in the 6 March NIKKEI, Keio University Professor Atsushi Kusano observes that the Large Retail Store Law has survived "because of the lack of foreign pressure." Kusano states that "should U.S. pressure be stepped up," as was the case in the previous revision of the law following the 1990 Structural Impediments Initiative (SII) talks, the joint commission would have come to a "considerably different" conclusion. He points out that the 1992 revision of the law was possible because of the SII talks, in which the Japanese Government accepted the U.S. demand to revise the law, and therefore the joint commission "automatically approved" the revision. Thus, Kusano argues, the law could possibly be abolished "if the U.S. Government demands it."

Kusano's view is shared by NIKKEI editorial staff writer Asakawa in his 22 February NIKKEI article. He notes that without foreign pressure, Japanese discount stores will continue to follow MITI, which wants to avoid any "disturbance" or change in the industry.

Seiyu Chairman Takaoka, who was an industry representative on the 50-member joint commission, in his 6 March NIKKEI article notes that if a vote had been taken, "the majority of joint commission members would have agreed to abolish the law," since the commission included journalists, consumer group representatives, and labor union officials, all of whom were in favor of abolition. However, Takaoka notes, since the joint commission must reach a unanimous consensus--giving each member veto power--"only marginal revisions are possible." NIKKEI editorial staff writer Asakawa writes that he was "shocked" that after discussions by the 50 commission members over three months, "the majority opinion was not reflected in the recommendation."

MITI Wants To Retain Law So It Can 'Control' Distribution Sector

According to the 7 February NIKKEI BUSINESS, MITI wanted to keep revisions within the existing framework of the law to protect "MITI's interests." The article claims the law is an instrument giving MITI influence over the distribution sector. MITI can "control" the opening of new stores--one of the most important concerns of retailers--"through its regional bureaus and local chambers of commerce" throughout Japan.

According to the article, before the joint commission began discussing revision of the law in November 1993, eleven organizations of small- and medium-sized retail stores held a rally in front of the Diet Building urging that no changes be made. About 20 Diet members from both the ruling coalition and opposition parties attended the rally. The article quotes a senior member of a retail store organization as saying that MITI "organized the rally and asked Diet members to participate."

The article also quotes a member of the Hiraiwa Commission on governmental reform, who asserts that MITI "pressured" the commission to delete a recommendation "to abolish the law" from an early draft of the Hiraiwa Commission's report that recommended overall deregulation.

Reversed Positions of Small Retailers, Large Supermarkets

A "strange reversal" in the positions of small retailers and large supermarket chains has occurred concerning revision of the law, according to the NIKKEI BUSINESS article. Because of sluggish economic conditions, small retailers are hurting and seek to survive in association with a large store or shopping center by inviting a department store or large supermarket to be core of a large store complex or shopping center. Therefore, the article maintains, "although small retailers want to abolish the law, they have to support it" because the law is their only "political bargaining chip.' Consequently, the small retailers do not want to "completely discourage" large stores from opening new outlets.

The article notes that the supermarket chains are also experiencing difficulties because of the recession and the increasing number of discount stores. Under such conditions, the chains are inclined to feel that their interests are best protected "if no new large stores are permitted." Thus, the large supermarket chains, which formerly were "the champions of deregulation," are now reluctant to abolish the store law and want protection under "MITI's umbrella." The article quotes Isao Nakauchi, chairman of Daiei Store, a large supermarket chain, and chairman of the Japan Chain Stores Association, as stating: "It would be better to retain the law, or otherwise conflicts with local small retailers will increase." NIKKEI BUSINESS observes that Nakauchi was one of the officials who helped then MITI Minister Yasuhiro Nakasone pass the original law in 1974.

FEATURE: Food Agency Under Severe Criticism Over Rice Panic

In response to "panic buying" stemming from Japan's shortage of domestically-grown rice,, the Food Agency has issued "guidance" that imported Thai rice must be blended or sold packaged with domestic rice, according to press reports. Japan's largest rice trading firm has criticized this policy as promoting the sale of black market rice. Consumers are critical of the agency for denying their right to choose which rice to buy. Also, press editorials have criticized the agency's policy of continued control of rice distribution and selling imported foreign rice at "considerably higher" prices to generate profits sufficient to compensate farmers who had poor rice crops last summer.

According to the 8 March issues of major Japanese newspapers, on the evening of 7 March the Food Agency urgently issued "guidance," based on Japan's Food Control Law, to Japan's rice retailers that domestic rice must be blended with at least 20 percent of imported Thai rice before sale. The guidance is in response to "panic buying" that began in early March--with long lines of people forming every day at rice retail shops and supermarkets to buy whatever domestic rice that is available. Japan's poor harvest in 1993 after unusually cold summer weather has triggered fears of a serious shortage. The 8 March MAINICHI SHIMBUN attributes the rice shortage to Food Agency delays in importing Chinese rice, hoarding of domestic rice by farmers and some wholesalers waiting for prices to rise, and stockpiling by consumers worried about further shortages.

The 10 March NIKKEI RYUTSU SHIMBUN reports the Food Agency plans to allow rice retailers to package a bag of domestic rice together with a bag of imported rice and sell it for one price. Despite the possible violation of a Fair Trade Commission rule prohibiting retailers from forcing consumers to buy unwanted products by "bundling" popular and unpopular products

together, the Food Agency considers this necessary to sell the imported rice. It is concerned that consumers will buy only domestic rice or California and Chinese medium and short-grain rice, which are close to Japanese rice. Japanese consumers consider Thai long-grain rice, the taste of which is generally disliked, as "unsafe" and having a "unique smell," according to the 6 March ASAHI SHIMBUN. The Food Agency reportedly fears that the outcome will be a rice shortage in the midst of a glut of unsold Thai rice. By forcing consumers to buy blended rice, ASAHI maintains, the Food Agency wants to make sure that all imported Thai rice is sold. In an apparent public relations effort, the Imperial Household Agency announced that the imperial family will also eat blended rice (70 percent foreign and 30 percent domestic rice), the 9 March ASAHI reports.

Food Agency's Policy Raises Price of Black Market Rice

Seizo Yamazaki, chairman of Yamatane Corp., Japan's largest rice trading firm, comments in the 9 March YOMIURI SHIMBUN that "forcing consumers to buy blended rice is a policy to promote the sale of black market rice" (also called "free market rice," the sale of which is illegal). Yamazaki asserts that prices of black market rice will surely rise, because the black market is the only place consumers can buy domestic rice not blended with Thai rice. "Given the fact that the Food Agency has left black market rice merchants unregulated in the past," Yamazaki continues, it now has "no effective way to regulate them." However, Yamazaki anticipates that the situation will improve beginning in April, when imported Chinese rice begins to arrive in Japan. Also, the weather turns hot in May and farmers and black market rice merchants will have problems maintaining the quality of stored rice. The situation will ease further in June when the new crop of Australian rice will come on the market.

According to statistics from the Rice and Grain Data Bank, cited in the 9 March SANKEI SHIMBUN, Japan's 1993 domestic rice harvest was 7.8 million tons (its annual consumption is 10 million tons), of which 4 million tons was collected and sold by the Food Agency, while 3.8 million tons presumably is being held by farmers or has been sold directly to black market rice dealers. Of this 3.8 million tons, 1.3 million tons will be consumed by farmers themselves, while 2.5 million tons already has been or will be sold on the black market. The data bank estimates that at least 1 million tons is currently being held by farmers and black market rice traders in anticipation of further increases in prices. The data bank notes that the black market price of the best brand domestic rice has already jumped to 15,000 yen ($143) per 10 kilograms, twice the 1993 price and triple the current price of imported California short-grain rice. It warns that the tighter the Food Agency controls rice, the more rice will be channeled into the black market.

Consumers Criticize Food Agency's Guidance on Blended Rice

Consumers are critical of Food Agency guidance to blend domestic and imported rice, because it leaves them "with no choice," according to the 9 March SANKEI SHIMBUN. According to a mid-February consumer survey conducted by Seiyu, a large supermarket chain, 55.2 percent of consumers preferred "100 percent imported rice" over a "blend of domestic and imported rice." Consumers want each type of imported rice sold separately so that they can cook each variety according to its characteristics.

Editorials in all major Tokyo newspapers on 9 March criticize the Food Agency's guidance. For example, the NIKKEI editorial asserts that consumers have the right to choose which rice to buy, and is critical of the Food Agency's policy of selling imported rice at a "considerably higher price" to generate profits large enough to compensate farmers. NIKKEI asserts that the

market ought to determine the price of each variety of imported rice, and if Thai rice is unpopular, its price should be lowered. MAINICHI's editorial asks the Food Agency to stop controlling rice distribution and leave it to market forces--after consumers use up all the domestic rice, they will eat imported rice, and if they do not like it, "they will eat bread and noodles instead." ASAHI's editorial warns that if the Food Agency continues to insist on its policy of blending domestic and imported rice, despite strong opposition, it will only bring about further increases in the price of black market rice.

Consumers, Cooperatives Attempt To Secure Rice

As one indication of how far Japanese consumers will go to secure palatable rice, NHK Television in its 9:00 pm evening news program on 15 March shows Japanese tourists bringing South Korean rice, which is similar to Japanese rice, into the country aboard ferry boats running from Pusan to Shimonoseki, the closest Japanese port city to South Korea. The announcer states that some tourists are bringing in as much as 50 kilograms of rice per person; Japanese citizens are permitted to bring in a total of 100 kilograms of foreign rice per year. Consequently, the amount of rice that has been seized and quarantined in Shimonoseki--normally about 100 kilograms per month on average--increased to 18,000 kilograms in the first ten days of March. Despite the seizures, the Customs Service states there is no way to keep track of how much rice is brought back by each tourist, the NHK announcer reports.

The 10 March NIKKEI notes that large consumer cooperatives, which earlier announced they would not sell imported rice because of "uncertainty concerning the safety of imported rice," have changed their position and have begun selling imported rice in response to widespread requests from their members. While selling both imported rice and blended rice, the cooperatives are already taking measures to secure domestic rice for the next crop year. They have begun talks with agricultural cooperatives from around Japan, which are authorized to sell a certain volume of rice at their discretion, about "direct contracts" for rice. The consumer cooperatives also have had to diversify the regions from which they will buy rice next year. Previously, they bought rice only from the Tohoku region, the area that produces the most famous rice varieties but which was hit hardest by last summer's cold weather.

IBJ Capital Investment Survey Reveals 6.1 Percent Decline

According to an Industrial Bank of Japan (IBJ) survey of private sector investment plans for FY94, private sector capital investment is expected to decrease by 6.1 percent from FY93. Consequently, Japan's capital investment will likely decline for the third consecutive year. While capital investment by manufacturing industries is expected to improve gradually, capital investment by nonmanufacturing industries, excluding the electric power companies, is expected to decline further. The IBJ also projects that surplus production capacity on the part of manufacturing industries is unlikely to fall to the level of demand during FY94. If the yen appreciates further, the IBJ concludes, company capital investment plans might be lowered even further.

According to the survey results, capital investment by manufacturing industries will decrease 10.3 percent, an "improvement" from the estimated 17.7 percent drop of FY93. Among manufacturing sectors, capital investment by assembly and processing industries will decrease "only" 4 percent, a "large improvement" from the estimated 17.9 percent decrease of FY93. Reasons for this improvement include: 1) most electronics firms are planning to increase capital investment for liquid crystal displays (LCD) and semiconductors; 2) one automaker is planning model changes in FY94, and therefore needs to invest in new production lines; and 3) general

machinery companies are planning to increase production capacity slightly in response to steady, large demand stemming from public works projects.

Capital investment by nonmanufacturing industries, other than electric power companies, will decrease 7 percent, an accelerated drop from the estimated 5 percent decrease of FY93. The primary reasons for the decrease are the glut of office buildings and stagnant personal consumption, which has caused department stores and large supermarket chains to shelve plans to construct new stores.

Electronics--Most electronics companies are planning to increase their capital investment in FY94, resulting in an overall 4.5 percent increase. Investment will be concentrated in the LCD and semiconductor sectors. Toshiba will spend 150 billion yen ($1.43 billion), a slight increase from FY93, to increase production capacity for 4 and 16 megabit (M) dynamic random access (DRAM) chips. NEC and Hitachi plan to increase their capital investment slightly, from their FY93 totals of 160 billion yen ($1.52 billion) and 170 billion yen ($1.62 billion) respectively.

Automobiles--Toyota Motor is planning capital investment totaling to 240 billion yen ($2.29 billion), a 25 billion yen ($238 million) increase from FY93, largely to finance model changes for its Corolla and Crown models. Nissan Motor, on the other hand, plans to decrease capital investment in FY94, limiting it only to new car development. In response to the recession, other automakers, especially truck manufacturers, plan to decrease capital investment in FY94.

Steel--All steel manufacturers are planning to hold down capital investment in FY94 because of the slump in sales and poor prospects for an early economic recovery. Steel manufacturers have surplus capacity, especially to meet the needs of automakers. Nippon Steel plans a "drastic" decrease from the 170 billion yen ($1.62 billion) level of FY93. NKK Corp. plans to cut total capital investment from FY93 through FY95 by 40 percent from total capital investment level of the FY90-FY92 period. Kobe Steel's plans are similar to those of NKK. (Tokyo ASAHI SHIMBUN 8 Mar 94 p 11)

Financial Issues

Chinese Provinces Urge Japanese Banks To Set Up Branches

Provincial and municipal governments in China's interior areas have requested that Japan's major commercial banks, such as Sanwa and Sumitomo, establish branches and representative offices in their jurisdictions, according to the 10 March NIKKEI KINYU SHIMBUN. In the past, Japanese banks have focused on China's coastal areas, where Japanese companies have made conspicuous inroads, but now they are responding to requests made by city and provincial governments in inland areas and are seriously looking into setting up offices there. The major commercial banks have been "ardently" approached by the governments of Liaoning Province, Shenyang City, Jiangsu Province, Nanjing Municipality, Hubei Province, Wuhan City, Shaanxi Province, Xian City, Sichuan Province, and Chongging City, and others.

In their pursuit of economic growth, the local governments have been competing to attract foreign investment. Their overtures to Japanese banks are thought to be part of their attempt to garner cooperation in capital financing from foreign financial institutions, not just from foreign investors in manufacturing and production. Despite the fact that investment by Japanese companies in these regions is still rather limited, the banks are now seriously considering where to set up offices in China's interior areas.

Meanwhile, according to the 2 March NIKKEI KINYU SHIMBUN, five Japanese banks--Sumitomo, Sanwa, Industrial Bank of Japan, Bank of Tokyo, and Mitsubishi--are vying for permission to establish branches in Beijing. The Chinese Government is moving toward allowing a few foreign banks to open branches in Beijing, but because only one or two will be Japanese banks, the competition is intense. Sumitomo Bank is offering seminars to financial institutions in Beijing to enhance its presence there, while the presidents of the Bank of Tokyo and Mitsubishi Bank recently visited China and appealed to the mayor of Beijing for authorization to establish branches.

China To Authorize Japanese Banks To Use Yuan

Japanese banks will be authorized to use the Chinese yuan, but initially only for deposit-taking functions, according to the 8 March NIKKEI KINYU SHIMBUN. The People's Bank of China has not specified how deposits will be obtained or precisely when the deposit-taking functions will begin, but major Japanese commercial banks understand from discussions with the People's Bank that they will be able to start taking yuan-based deposits sometime in the spring or summer of 1994.

The Ministry of Finance has continued to press the Chinese Government to authorize Japanese banks to use the Chinese currency because the recent change in China's foreign exchange system is having an adverse effect on Japanese banks doing business there, according the 4 February NIKKEI KINYU. Under the revision, foreign banks can only make loans and conduct foreign exchange transactions in dollars or yen, while foreign companies operating there can only use yuan. When a Japanese company operating in China sells yuan and buys a foreign currency, it must first transfer the money to the People's Bank of China, where the Japanese bank has an account, thereby making it more troublesome for the company to use a Japanese rather than a Chinese bank. According to the 8 March NIKKEI KINYU, some people assert that authorization to use the yuan is a "matter of life or death" for Japanese banks in China, and the recent indication that the yuan can be used for deposit-taking functions is being interpreted by Japanese banks as the "first step" toward full banking operations.

MOF Sale of 90 Tons of Gold Likely To Affect International Market

The Ministry of Finance (MOF) on 7 March announced that it will sell 90 tons of gold on the market during FY94, from which it expects to realize 120 billion yen ($1.14 billion). This amount will help compensate for the shortfall in Japan's tax revenues. The MOF will melt down 4 million 100,000-yen ($952) commemorative gold coins that have been returned to the Bank of Japan into 90 tons of gold. The total face value of the coins is 400 billion yen ($3.8 billion), but the book value of gold contained in the coins is only 119.7 billion yen ($1.14 billion). Although the MOF is studying appropriate ways to sell gold so that market prices are not unduly affected, sale of such a large quantity of gold by Japan, a gold-consuming country, "is likely to affect the gold market."

The MOF issued 11 million 100,000-yen gold coins in 1986 to commemorate the 60th anniversary of Emperor Showa's accession to the throne. Despite their low gold content, the coins were so popular that 50 million lottery tickets were issued to people who wanted to buy the coins. However, because of the prolonged recession and poor prospects for appreciation in the coin's value as a collectible, "people have begun spending the gold coins in stores." (Tokyo MAINICHI SHIMBUN 8 Mar 94 p 1)

BOT Concludes Investment Agreement With Colombia

The Bank of Tokyo (BOT) has concluded an investment-promotion agreement with the Invest in Colombia Corporation (Coinvertir, or ICC) to encourage Japanese investment in Colombia. ICC is a joint government-private sector organization established by the president of Colombia. This is the third such agreement the BOT has concluded with a South or Central American country, but is the first such agreement by any Japanese bank with Colombia. The BOT's previous agreements were a 1990 agreement with the National Finance Bank of Mexico and a 1991 agreement with the Chilean Foreign Investment Committee.

Under the agreement, the BOT will introduce Japanese companies planning to enter Colombia's markets to the ICC and will hold investment-promotion seminars for them, while the ICC and the BOT will also jointly establish a forum for periodic information exchange.

Although Japanese banks shied away from investment in South and Central America in the first half of the 1980s because of the debt crisis there, the BOT now has decided to step up its activities in Colombia. It sees South and Central America as "replete with potential for growth," especially with the implementation of trade agreements like the North American Free Trade Agreement. (Tokyo NIHON KEIZAI SHIMBUN 14 Mar 94 p 5)

Foreign Trade and Investment

MALAYSIA

Daiken, Itochu To Set Up Company To Manufacture Fiberboard

Daiken Corp., a manufacturer of wood and mineral fiberboard, together with the general trading company Itochu Corp. and other firms, will establish a company in Malaysia's Sarawak State to manufacture medium-density fiberboard (MDF), a plywood substitute manufactured from scrap wood. The new company, Daiken Sarawak, will begin operations in the spring of 1996. Of the total 2.5 billion yen ($23.8 million) required for the new company, Daiken will contribute 50 percent; Itochu, 20 percent; Sarawak Timber Industry Development, a forestry development corporation operated by the Sarawak state government, 15 percent; Proexcel, 10 percent; and Linbang Trading, 5 percent.

MDF production is projected at 100,000 cubic meters per year, all of which will be exported to Japan. MDF has gained popularity because it can be used as a substitute for plywood, the supply of which has become unstable due to increased efforts to protect tropical rainforests. The interests of both Daiken and the Malaysian Government will be served through establishment of the new company--Daiken is seeking to ensure a stable supply of raw materials, while the government seeks the efficient use of its wood resources. (Tokyo NIHON KEIZAI SHIMBUN 19 Feb 94 p 8)

Mitsubishi Materials Establishes Ceramic Parts Subsidiary

Mitsubishi Materials Corp. (MMC) has established a wholly-owned Malaysian subsidiary, MMC Electronics Malaysia, to produce ceramic electronic parts. Mitsubishi's total investment in the subsidiary will be 2.9 billion yen ($27.6 million). The new subsidiary will serve as Mitsubishi Materials' production base in Southeast Asia, supplying Japanese manufacturers of home electronics equipment that have shifted their production to the region.

MMC Electronics Malaysia will build a 6,000-square meter plant on a site adjacent to Kamaya Electric Malaysia on the outskirts of Ipoh, where its production equipment will be housed until the plant is complete. The new company, which will employ 300 workers, will begin operations in April with the anticipated production of 1 million temperature sensors for air conditioners and 300 million laminated ceramic chip capacitors for videotape recorders and television sets per month. (Tokyo NIKKEI SANGYO SHIMBUN 15 Feb 94 p 15)

Ichikoh Industries Expanding Production Operations

Ichikoh Industries, Japan's second largest manufacturer of automotive lighting equipment, is increasing production in Malaysia to meet increased demand from Japanese auto manufacturers who have started operations in Malaysia to counter the effects of yen appreciation. Ichikoh Malaysia, its local subsidiary, is 90 percent owned by Ichikoh Industries and 10 percent by the general trading company Nissho Iwai.

Currently, Ichikoh Malaysia produces about 600 million yen ($5.7 million) worth of interior lights for export to Japan. However, over the next two to three years the firm plans to invest just under 1 billion yen ($9.5 million) to begin the production of exterior lights and to increase the output of interior lights. (Tokyo NIKKEI SANGYO SHIMBUN 4 Feb 94 p 8)

NORTH KOREA

Japanese Hijacker Heads Firm Promoting Trade With Japan

According to an article in the 12 February SHUKAN GENDAI by freelance journalist Koji Takazawa, who visited Pyongyang in December 1993, the North Korean trading firm "Project 21" is "steadily" promoting trade with Japan, even though Japan-North Korea normalization talks are at a standstill. According to Takazawa, "Project 21," which was formerly named "21 Planning" ("21 Kikaku"), was founded in Pyongyang in April 1990 by Takahiro Konishi, one of the Japanese Red Army group that hijacked a Japan Air Lines jetliner and forced it to fly to Pyongyang in April 1970. Konishi had been working as a Japanese instructor and translator in Pyongyang before he founded the company.

According to Takazawa, Konishi is particularly interested in negotiating contracts with Japanese firms to serve as their Pyongyang representative to promote trade between the two countries. To date about fifteen small Japanese companies have signed contracts with Project 21. Konishi reportedly hopes to conclude contracts with larger Japanese firms in the future.

According to Takazawa, Project 21 is a general trading company with several dozen employees and annual sales of 1 billion yen ($9.5 million). It is housed in a six-story office building, which it owns, in downtown Pyongyang. Takazawa reports that the firm, which initially exported only foodstuffs and ginseng tea to Japan, now trades in more than 30 products--including construction materials, steel, cement, automobiles, and agricultural products--with Japan, China, and some Southeast Asian and European countries.

FEATURE: MT Companies Strengthening International Ties

According to press reports, some Japanese machine tool (MT) companies have been expanding their international activities, including overseas production, increased exports, and service activities. At the same time, some foreign firms are expanding their activities in Japan's MT market.

Activities in the United States

Mitsubishi Heavy Industries (MHI) plans to increase its annual sales of MT products in the United States by 20 percent to more than 200 machines, according to the 1 March NIKKEI SANGYO SHIMBUN. In 1993 MHI sold about 180 MT products tools in the U.S. market--120 were made at its U.S. subsidiary and the remainder were imported from Japan. MHI will fill some of the expected increase in orders with machines built at its Hiroshima MT Plant and sell them through its U.S. subsidiary, **MHI Machine Tool**, located in Hopkinsville, Kentucky. MHI officials state "it has become possible to combine increased exports from Japan with local production in the United States" with the lifting of the voluntary restraint agreement covering Japanese MT exports at the end of 1993. NIKKEI SANGYO adds that to enable MHI Machine Tool to increase production of machining centers, computer numerically controlled (CNC) lathes, and CNC cylindrical grinders, MHI will ship a large, five-surface processing machine from Japan to its subsidiary.

Ingersoll Milling Machine, a major U.S. MT manufacturer based in Illinois, will drop a Swiss trading company as its sales agent in Japan and will begin dealing directly with its Japanese customers through its subsidiary, **Ingersoll Japan**, according to the 14 February NIKKEI SANGYO. By eliminating the middleman, Ingersoll Japan expects to reduce distribution costs and to be able to gather information directly from customers. Ingersoll Japan anticipates that sales for its first fiscal year will be 1 billion yen ($9.5 million). Ingersoll, whose specialty is large, five-surface processing machines, has sold aircraft parts processing machines to MHI in the past. NIKKEI SANGYO characterizes Ingersoll's move as "threatening the very core of Japanese companies, which are pursuing the time-consuming recessionary countermeasure of expanding the volume production of high value-added general purpose machines."

Cooperative Ventures in Europe

Two German MT manufacturers, **Waldrich Siegin** and **Waldrich Coburg**, both of which belonging to the Ingersoll Group, have contracted with **Okura & Company**, a medium-size trading company, to become their MT sales agent in Japan, according to the 9 February NIKKAN KOGYO SHIMBUN. Previously both Siegin and Coburg used a Swiss company as its sales agent, but the two companies switched to Okura "because they plan to enter new product areas." Siegin makes MT equipment primarily for steel and aluminum producers and manufacturers of paper and heavy electrical machinery, while Coburg makes MT equipment and extrusion molding machines for companies that process large parts. Okura expects first fiscal year sales to reach 500 million yen ($4.76 million), according to NIKKAN KOGYO.

Okuramech, a company affiliated with the Okura Group, has contracted with the Swiss MT firm **Fritz Suchard** to be its sales agent in Japan to market Suchard's large 0.3-micron precision

granite-bed cylindrical grinders, according to the 14 February NIKKEI SANGYO. Okura anticipates demand for the large grinder in the metal processing, auto parts, and aerospace industries, NIKKEI SANGYO notes.

Fanuc, Japan's largest manufacturer of CNC equipment, and **Charmilles Technologies**, a leading Swiss manufacturer of electrical discharge machines (EDM), will expand their cooperative relationship to include die-cutting EDMs as well as wire EDMs, according to the 14 February NIKKAN KOGYO SHIMBUN. Currently Charmilles uses Fanuc CNC equipment on all its wire EDMs. In the near future Fanuc will begin assembling Charmilles' latest wire EDM series, the "Robofile," at its Tsukuba plant. This plant now assembles only CNC equipment, but Fanuc President Seiuemon Inaba states that "it also will be possible for us to carry out knockdown production of entire machines" at the plant. Fanuc plans to make its Tsukuba plant "a production base for Charmilles in Asia."

In addition, **Charmilles Fanuc**, a joint venture company formed by the two companies three years ago, but which has been "inactive" until now, will soon begin operating, NIKKAN KOGYO reports. A special unit will be activated to handle the administrative and process-control work required for operations to attach CNC equipment to EDMs.

Previous cooperation between Fanuc and Charmilles included Fanuc's original equipment manufacturing production of Charmilles' "Robocut Alpha-OA" and "Alpha-1A" wire EDM machines. Charmilles has sold these machines in Great Britain, France, and Italy, while Fanuc supplied them for other markets. Some types of wire EDMs which Charmilles' Japanese subsidiary, Charmilles Japan, sold in Asia were "mated" with CNC equipment at Fanuc's headquarters systems plant, NIKKAN KOGYO notes.

South Korean, East Asian Markets

Citizen Watch will begin exporting to South Korea small precision CNC lathes through G. Boley GmbH, the German MT company it bought in 1992, in response to changes in South Korea's import regulations, according to the 22 February NIKKEI SANGYO. In January 1994 South Korea eased restrictions on imports by reducing the number of products subject to its "Importers Diversification List." These changes covered numerically controlled horizontal lathes capable of speeds over 12,000 rpm, including Citizen's "Shincom L" series. However, because of the way import authorization procedures are handled, exports of high-speed lathes from Japan have became "impossible," thereby "wiping out in a single stroke" the South Korean market for Citizen's MT equipment.

In response, Citizen will export lathes made by G. Boley to South Korea. Some parts for these lathes will be shipped from Japan to G. Boley and then exported from Germany marked "Shincom Made in Germany." G. Boley already manufactures Citizen's lathes on consignment for the European market, NIKKEI SANGYO observes.

Mitsubishi Corp., one of Japan's largest general trading companies, will establish a South Korean corporation, Hanguk MC Shoji, to export South Korean "machinery," according to the 24 February NIHON KEIZAI SHIMBUN (NIKKEI). Mitsubishi could obtain permission from the Korean Government in March and begin operations as early as 1 May. The wholly owned subsidiary will be capitalized at $4.5 million. Mitsubishi anticipates sales of $30 million during the firm's first fiscal year. Mitsubishi is the second of major Japanese trading company to establish a firm in South Korea, NIKKEI notes.

Toshiba Machine, one of Japan's largest MT companies, will establish an Asian network for after-sales service for MT equipment separate from its network of sales agents, according to the 28 February NIKKEI SANGYO. Toshiba Machine already has locally incorporated sales companies in Thailand, Taiwan, and Singapore, in addition to business offices in Hong Kong and Beijing. However, the company determined that since this network could not adequately serve growing customer needs for maintenance and service, it would establish a separate network of locally incorporated service offices that will be directly managed from Tokyo. Toshiba Machine has already opened service offices in Singapore and in Kuala Lumpur and Penang, Malaysia, and has plans for offices in Shanghai and Kaohsiung, Taiwan.

Exports are becoming more important for Toshiba Machine, the NIKKEI SANGYO article notes. In the first half of FY93 (April through September 1993) Toshiba's ratio of exports to total sales reached 35 percent, up almost 10 percent from the same period in 1992. Exports of injection-molding equipment and machine tools rose 30 percent. China accounts for "just under 70 percent" of Toshiba's exports, NIKKEI SANGYO notes.

Fanuc Pulls Robot-Programming Software Off the Market

Fanuc, the world's largest producer of numerically-controlled equipment for machine tools and a leading manufacturer of industrial robots, has decided to stop selling FAST, its internally developed off-line robot-programming software, and replace it with Robcad, the robot-simulation software marketed by the Israeli firm Technomatix Technologies. Fanuc will continue developing FAST for use in the development of intelligent robots and for intelligent manufacturing system (IMS) applications.

Fanuc's U.S. subsidiary, Fanuc Robotech, has signed a contract with Technomatix for rights to market Robcad in North America and Japan. Robcad, characterized as "powerful" robot-simulation software, is used to verify a robot's movements and for off-line robot training. This software is also used by Nachi-Fujikoshi, Komatsu, and Mitsubishi Electric Co., which also manufacture robots. (Tokyo NIKKAN KOGYO SHIMBUN 14 Jan 94 p 11)

Firm Develops New Machine To Process Aircraft Engine Parts

Fuji Machine Manufacturing, a leading manufacturer of machine tools and specialized machinery, together with Daido Steel Co. has developed a spinning processing machine to process titanium and ultra-high temperature alloy parts, such as engine casings and compressors used in the high-temperature, high-pressure section of aircraft engines. To date these types of complex cylindrically-shaped parts have been formed by milling, but this method is time consuming because of the hardness of the materials.

The new machine processes and finishes parts by forming them on spinning rollers under a maximum pressure of 50 tons, while the parts are heated to a maximum temperature of 1,200 degrees. This method reduces processing time to about one-third that previously required and reduces the areas requiring milling to one-fifth that necessitated by the old method. (Nagoya CHUNICHI SHIMBUN 1 Mar 94 p 11)

Petroleum/Energy

Firms To Participate in Indonesian Coal Mining Project

Nichimen Corp., a general trading company, and Mitsui Matsushima Co., a Kyushu-based coal-marketing company, will participate in developing a 98,000-hectare strip coal mining project in central Sumatra together with the Indonesian firm PT Riau Baraharum. Coal reserves in the area are estimated at 25 million tons, and Riau Baraharum plans to complete studies to confirm this figure by the end of 1994. Commercial production will begin in 1996, and from 1997 production is planned at a level of 1 million tons per year.

Costs for the project are estimated at $2.5 million for exploration and $25 million for development. Nichimen and Mitsui Matsushima will equally divide their $1.5 million share of the exploration costs and $15 million in development costs. In return for providing project financing, the companies will receive priority in purchasing the coal mined, which they will sell to Japanese electric power companies at a level of 800,000 tons per year. Their goal is to ensure a supply base for the Japan market, where demand for coal from the electric power industry is expected to increase from the current 33 million tons per year to 72 million tons by the year 2000. (Tokyo NIHON KEIZAI SHIMBUN 5 Mar 94 p 1)

Semiconductors/Computers/Electronics

FEATURE: NEC, Samsung To Cooperate in 256M DRAM Research

NEC, Japan's largest semiconductor company, and South Korea's Samsung Electronics Co. have agreed to share the results of their research on next-generation 256-megabit (M) dynamic random-access memory (DRAM) chips, according to press reports. Although cooperative relations between Japanese and South Korean semiconductor manufacturers have been increasing, this is the first relationship involving 256M DRAM chips. In addition, NEC and Samsung are discussing possible cooperation in the actual production of the chip.

At a 1 March press conference, NEC officials announced they had reached agreement with Samsung Electronics to exchange information on 256M DRAM chips, according to the 2 March NIHON KEIZAI SHIMBUN (NIKKEI). The two companies are also proceeding with negotiations on joint development of the chip. Although Samsung Electronics is a leading manufacturer of DRAMS, the company may have decided to cooperate with NEC because the estimated 100 billion yen ($950 million) investment needed to develop the next-generation chip is big a burden for one company to bear alone. The 2 March NIKKEI SANGYO SHIMBUN notes that this is the first time Japanese and South Korean companies have agreed to cooperate concerning 256M DRAM chips.

The 2 March MAINICHI SHIMBUN observes that by cooperating, the companies hope to be the first to make 256M DRAMs, and "thus have it be the world standard." The 2 March ASAHI SHIMBUN notes that NEC would like to begin mass production of 256M DRAMs from 1995, but the 1 March YOMIURI SHIMBUN estimates that actual mass production will not take place "until 1998 or 1999."

Closer Relationships Between Japanese, South Korean Firms

According to the 2 March NIKKEI, the relationship between Japanese and South Korean semiconductor manufacturers "has shifted from one of Korean companies trying to catch up with Japanese companies to one of a system of cooperation." This is illustrated by the growing number of agreements between semiconductor manufacturers of both countries. Hitachi has provided 1M, 4M, and 16M DRAM technology to Goldstar Electron Co. in exchange for semiconductor products. Fujitsu and South Korea's Hyundai Electronics reached an agreement in October 1993 to produce 4M and 16M DRAMs under a reciprocal original equipment manufacturing basis. Samsung Electronics is also cooperating with Toshiba on flash memory chips and with Mitsubishi Electric Corp. and Oki Electric Industry concerning high-speed memory devices.

The 2 March NIKKEI SANGYO asserts that such cooperation is not without some risk. Cooperation like that between NEC and Samsung could be a "double-edged sword," because Japanese and South Korean companies have focused on DRAM chip production, whereas American and Japanese companies have differing areas of specialization and "thus are not in such a competitive situation." There is a danger, the paper notes, that if Japanese companies cooperate with their South Korean counterparts, any benefit from this "could be turned into a weapon" that might be used against them later in their "competitive struggle."

Canon, NAL To Research Parallel Processing Technologies

Canon Supercomputing S.I., a wholly owned subsidiary of Canon Sales Co., has begun a joint research program in fluid analysis parallel-processing technologies with the National Aerospace Laboratory (NAL). The NAL, an organ of Japan's Science and Technology Agency, is a "major user" of supercomputers, and parallel processing supercomputers are being more widely used. By using software developed by the NAL, the program is expected to find a more efficient way of using parallel processing systems and "improve technological capabilities."

Technicians from Canon and NAL will use a "KSR1" parallel-processing supercomputer purchased by Canon from the U.S. firm Kendall Square Research (KSR). The researchers will evaluate the system's efficiency using a "miscellaneous fluid analysis program" developed by NAL, and also will conduct research into the most suitable parallel processing technologies for the software.

The NAL already uses supercomputers made by Fujitsu and the U.S. firm Intel, but is looking forward to conducting research on the KSR parallel-processing machine. For its part, Cannon Supercomputing hopes this research will strengthen sales of both supercomputer hardware and software. (Tokyo NIKKEI SANGYO SHIMBUN 8 March 94 p 7)

JEOL Sets Up Semiconductor Equipment Sales Office in South Korea

JEOL Ltd., a maker of semiconductor manufacturing equipment (SME) and Japan's largest producer of electron microscopes, has established a joint-venture sales and service subsidiary in Seoul. Since South Korea is becoming a "large market" for electron microscopes and semiconductor manufacturing equipment, JEOL decided that it was necessary to strengthen its local sales ability and develop an after-sales service system. JEOL, a member of the Mitsubishi Group, is the latest of a number of Japanese SME firms "advancing" into South Korea to take advantage of robust capital investments being made by Korean semiconductor makers.

The new company, "JEOL Korea," is a joint venture capitalized at 300 million won ($380,000) of which 30 percent was provided by JEOL and the remaining 70 percent JEOL's Korean sales representative. They are aiming to expand sales of a wide variety of equipment including electron microscopes, photomask manufacturing equipment, and related medical and analytical equipment.

A number of major SME manufacturers, including Canon and Tokyo Electron, have already established service subsidiaries in South Korea. Lasertec, another maker of photomask-related equipment, set up operations in February. Korean semiconductor makers are continuing to invest to expand production capacity. Consequently, Japanese SME makers are realizing that a strengthened presence in Korea has become "indispensable." (Tokyo NIKKEI SANGYO SHIMBUN 7 Mar 94 p 9)

Telecommunications/Satellites

FEATURE: MPT-NTT Maneuvering on Next-Generation Communications

According to press reports, the Telecommunications Council, an advisory group to the Ministry of Posts and Telecommunications (MPT), which has been deliberating issues concerning Japan's next-generation communications network for nearly a year, has "suddenly" decided to delay release of its final report from March until May. The MPT explains that "things have changed" since Nippon Telegraph and Telephone (NTT) initiated its multimedia activities. However, the press notes that the new report date "coincides" with a June decision on whether NTT President Masashi Kojima will be appointed to a third term, or whether Shigeo Sawada, NTT's senior vice president and a former MPT administrative vice minister, will be made NTT's new president.

According to the 4 March NIKKEI SANGYO SHIMBUN, the Telecommunications Council's final report has been a matter of great interest within the communications and broadcasting sectors from the early stages of its deliberations, because its recommendations will determine the future direction of Japan's next-generation communications infrastructure.

Specifically, industry sectors are interested whether NTT or an MPT public corporation will be responsible for developing the next-generation communications infrastructure, according to NIKKEI SANGYO. Executives of cable television companies have also been "looking forward" to the council's final report in March because the council has been deliberating on deregulating this industry. NIKKEI SANGYO notes that people in the industry feel they are "the victims of evasive action" in having to accept the delay in the report, and feel they have been treated "unreasonably."

According to NIKKEI SANGYO, the MPT's explanation is that "multimedia activities are moving ahead very quickly," and it would like to study the current situation more "before presenting any conclusions." The view in industry circles is that MPT's explanation may be "officially true," but that the ministry "is probably quarreling with NTT management." The MPT reportedly had Shigeo Sawada, a former MPT administrative vice minister, "planted" in

NTT as senior vice president and number-one candidate to succeed Masashi Kojima as NTT president when his current term expires in June. By delaying the council's report until May, the MPT can use the report as a "bargaining chip" to acquire the NTT presidency for Sawada, NIKKEI SANGYO notes.

NTT Supporting Kojima For Third Term

The Osaka edition of the 10 March MAINICHI SHIMBUN reports that NTT President Kojima expressed his desire for another term at a 9 March press conference. According to Kojima, "it would be inconvenient if I just suddenly abandoned the presidency." He adds, however, that "this is something which is not decided by my desires but by society, which includes Nagata-cho [the Diet], the bureaucrats, and the corporation." MAINICHI notes that in terms of a formal decision, all that remains is a consensus at NTT's shareholders meeting and approval from the MPT.

The 10 March NIKKEI SANGYO SHIMBUN notes that NTT is supporting Kojima in his desire to continue as president because NTT needs to establish "superiority" over the MPT as a "precondition" to block possible MPT measures to further break up NTT as part of an its review of NTT operations slated for 1995. On the other hand, according to the 6 March SANKEI SHIMBUN, the MPT has been "pressing" to have Sawada, an MPT "old boy," replace Kojima as president in conjunction with the upcoming MPT review. Reportedly, this has resulted in growing support from within NTT for Kojima to continue as president for another term to "block" the MPT's "breakup efforts."

It also appears that NTT has planned another strategy to keep Kojima as president by carefully timing the submission of its application to raise local telephone calling rates for March, the 10 March NIKKEI SANGYO notes. In this way, the MPT would have to make a decision on the rate hike before its April or May decision on the next NTT president. If the application is not approved, this could be the "springboard" for Kojima to stay on. NTT executives, according to NIKKEI SANGYO, feel that Kojima's next term is "100 percent guaranteed," because certain target objectives have already been established for solving pending issues at NTT.

MPT Not Actively Pushing Sawada's Candidacy

Kojima asserts "there have been considerable developments" in terms of a decision, but that he did not want to "reveal the details," according to the NIKKEI SANGYO article. It states that there usually is a "flurry of maneuvering" within political and financial circles at the beginning of the year in which an incumbent NTT president's term expires, but that matters to date have been "especially dull" concerning NTT's case. The MPT minister, who usually plays an active role in this maneuvering, thus far has been "inactive." According to NIKKEI SANGYO, it appears that the MPT continues to be "so involved with issues," such as U.S.-Japan trade friction over cellular telephones, that it does not have the time to "wrestle" with NTT's executive management.

Communications Companies Begin Testing 'Personal Handy Phones'

Tokyo Telecommunications Network (TTNet), Tokyo Electric Power Co., Mitsui & Co., and Mitsubishi Corp. began testing "personal handy phones" (PHP), the next-generation cellular telephone, for the first time in the Tokyo metropolitan area on 1 March. The companies are collecting data on various performance factors, including functions, sound quality, and the

efficiency of frequency utilization, by having 300 current TTNet customers use PHPs until March 1995 in a test area around the Marunouchi and Shimbashi train stations. The test area is supported by TTNet's fiber optic network and about 90 base stations set up by Tokyo Electric. The data collected from the testing activities will be used to determine future PHP-related business activities. (Tokyo NIKKEI SANGYO SHIMBUN 1 Mar 94 p 7)

Long-Distance Telephone Companies Begin Testing Activities

Japan Telecom and Kokusai Denshin Denwa (KDD) have also decided to team up to begin PHP testing activities from 30 March. Japan Telecom and KDD will conduct testing activities in an area near Japan Railway's Sapporo station in Hokkaido. The two companies will set up about 20 base stations in the area and lease PHP units to about 100 "monitors," who will test their performance over a period of six months. While Japan Telecom and KDD will be testing the same performance factors as other companies involved in the ongoing testing activities, "they will also test PHPs on international service networks."

People in the industry are pressing to commercialize PHP services, and much "pulling and hauling" behind the scenes is expected between the service providers, who are involved in the testing activities, and equipment manufacturers in anticipation of future markets. The new carrier companies, which offer long-distance telephone services, find PHP commercialization efforts "attractive" because once the PHP service networks are built, the new carrier companies will be able to independently own and control intra-city communications lines instead of having to rely on Nippon Telegraph and Telephone's (NTT) network, as they currently do.

However, many PHP issues have not been clarified, such as how many operator licenses the Ministry of Posts and Telecommunications (MPT) will approve and how the MPT will define standards for service options and service fees. The MPT is expected to use the results gained from the PHP testing activities in its deliberations on these issues. (Tokyo NIKKEI SANGYO SHIMBUN 11 Mar 94 p 6)

DDI, U.S. West To Cooperate in U.S.-Based PHP Testing

Beginning in April, Dainidenden (DDI) will cooperate with U.S. West by providing technical support for testing the communications system DDI developed to support PHP services. The tests, to be conducted in Washington, D.C., are part of an effort led by U.S. West to test various PHP-compatible communications systems. This cooperative testing effort resulted from an earlier venture between DDI and a U.S. West affiliate which involved renting analog-based portable telephones to DDI customers in Japan for use in the United States.

DDI's system may be considered in future cellular telephone commercialization efforts in the United States. In Japan, both DDI and NTT have developed communications systems, but DDI's system covers a broader service area than NTT's, and DDI's ground stations have a higher transmission capacity--500 milliwatts--compared to the 20-milliwatt capacity of NTT's ground stations. (Tokyo NIKKEI SANGYO SHIMBUN 3 Mar 94 p 6)

CHINA

Domestic Developments

Guangzhou's 1993 Economic Growth Maintains Double-Digit Increase

Guangzhou City continued its rapid economic development in 1993 with the "overwhelming majority" of its principal aggregate production quotas achieving double-digit growth, thus overfulfilling the city's annual plan.

In 1993, Guangzhou City's total output value was 23 percent more than in 1992, reaching a total of 710 million yuan. Of this total amount, the secondary industry (light industry) share increased by 28 percent and the tertiary industry (service industry) share increased by 22 percent compared to 1992. Guangzhou City's per capita gross domestic product (GDP) value exceeded 10,000 yuan for the first time, reaching 11,490 yuan, a 21 percent increase compared to the year before.

Guangzhou City's total amount of social commodity and retail was 3.073 million yuan, an increase of 41.14 percent compared to 1992. Its bank deposit surplus by financial organizations reached 99.462 billion yuan with a surplus loan value of 71.03 billion yuan. Guangzhou area's total freight volume via land, sea, and air reached 11,900 tons and passenger volume was 9,656 persons, an increase of 5.76 percent and 27.86 percent respectively.

The readjustment of the city's economic structure apparently resulted in higher economic benefits. The composite index of industry and business economic profit by the village and above-village independent accounting entities was 133 percent, 22.8 percent more than 1992. The commodity selling rate increased 0.7 percent to 97.84 percent, with a total realized profit tax of 10.175 billion yuan, an increase of 50.35 percent. The number of businesses suffering losses was reduced by 52 percent.

The economic and enterprise reforms and the opening up to the outside world have also resulted in new breakthroughs. Of the 640 enterprises in the city that have already opened up, 37 of these were set up as limited-liability companies with six of these issuing stocks. The actual foreign capital used jumped to $1.464 billion, an increase of 32.63 percent compared to 1992. The total commodity export value in foreign trade reached $3.263 billion, 32.34 percent more than in 1992.

The standard of living of the people of Guangzhou City has also continued to rise. Per capita worker's wages annually were 6,272 yuan in 1993, per capita city resident's annual income increased to 4,984 yuan, and per capita farmer's annual income were 2,653 yuan, accounting for increases of 30.88 percent, 7.13 percent, and 23.24 percent respectively. (Guangzhou NANFANG RIBAO 13 Feb 94 p 1)

Outlook for Auto Industry in 1994

China produced 1,280,000 cars in 1993, fulfilling 116.4 percent of the annual plan. The gross value of industrial output was 130 billion yuan, sales income exceeded 150 billion yuan, and taxes and profits were 18 billion yuan and 12 billion yuan respectively.

Auto demand for 1994 will be about 1.3-1.4 million. The 1994 auto demand estimates are based on the following assumptions: 1. In 1994 the national economy will maintain a growth of 9 percent, industry 15 percent, investment in fixed assets 13 percent, and if several national construction projects begin operating this year demand for autos will be slightly higher than 1993. 2. It will be difficult to alleviate the railroad transport capability problems before 1996, and automobile shipment will continue to be problematic in 1994. However, because of an increase in railroad branch lines and highway improvements, demand for highway transport vehicles, especially heavy and medium-size freight cars, will increase. 3. The development of a car rental industry, a flourishing tourist industry, and prospering individual passenger transport businesses will increase the demand for minivans, limousines, and tourist buses. 4. At present, tertiary industry accounts for 30 percent of the national economy and is a major auto consumer. Expanding rural enterprises maintain a stable demand for heavy and light trucks. 5. At the end of 1993, China possessed 8,200,000 vehicles, but about 1 million old vehicles need to be scrapped or replaced. China plans to replace 250,000 vehicles in 1994, mainly mid-size freight cars and sedans. 6. China has adopted severe measures to crack down on car smuggling, reorganize border and barter trade, and limit imports. In addition, implementation of a guidance price policy will stimulate domestic sedan sales.

Based on regional, departmental, and enterprise production plans, domestic supply will be about 1.5 million, of which 850,000 will be freight cars, 320,000 buses, and 330,000 sedans. The No. 1 Auto Group will supply 180,000 vehicles, the Dongfeng Group 210,000, the Heavy Vehicle Group 20,000, China Automobile Company 80,000, the Beijing Company 130,000, the Tianjin Company 110,000, the Shanghai Company 110,000, the Jinbei Company 40,000, and converted defense enterprises 140,000. These enterprises account for about three-fourths of output. In 1994 supply will exceed demand.

Factors restricting auto production are: 1. Foreign exchange shortages. Although domestic sedan production has rapidly developed, rising prices for foreign spare parts and steel has greatly increased the amount of foreign exchange used by the auto industry. 2. Changes in the renminbi foreign exchange rates have increased production costs. Production enterprises and consumers will share the increased costs. Increased prices will dampen consumer demand, and the share absorbed by enterprises will restrict the volume of imports. 3. Fund shortages are another factor restricting the auto market. Major consumers are government and commercial offices, and their funds to purchase vehicles come from public funds. In the last half of 1993 defaults on loans increased and funds diminished, which will restrict demand. (Beijing JIDIAN RIBAO 1 Mar 94 p 3)

Shenzhen SEZ Plans To Establish Auto Industry

Shenzhen Special Economic Zone, Guangdong Province, has announced ambitious plans to develop an automobile industry from scratch by establishing a 1 million square meter "auto town." About 90 percent of the land will be used to build plants and the rest as residential areas to accommodate workers. Negotiations are currently under way with several South Korean and Japanese auto makers to set up the necessary plants. Baoan Automobile Services and Shenzhen Automobile Industry and Trading will take the lead in developing the area. The target is an annual production capacity of 5,000 specialized vehicles for industrial, firefighting, and other purposes; 10,000 medium-sized buses; and 50,000 cars. A Korean company is to set up a plant to produce brake systems and Japan's two largest specialized automakers intend setting up assembly lines. Chinese auto makers, including First Automobile Works and Second Automobile Works, have also been invited to set up assembly plants. Officials say $2.5 billion will be invested in infrastructure this year, up from last year's $2.1 billion. Some 25 major

construction projects include: An international passenger terminal and second runway at Shenzhen Airport; two major power stations; an oil refinery; four highways; and a large-scale integrated circuit manufacturing base. (Hong Kong SOUTH CHINA MORNING POST [BUSINESS POST] 16 Mar 94 p 5)

Guizhou Defense Enterprises Support Rural Enterprises

Rural enterprises in Guizhou Province have set their sights on the personnel, technology, equipment, products, and market superiority of defense enterprises. At present, 38 counties in seven prefectures and cities are using defense enterprises funds, equipment and technology, and have set up over 130 economic lateral associations. Rural enterprises have become the financial pillar of these counties. Rural enterprises in all areas have greatly raised their overall level by absorbing over 300 defense S&T achievements and new technology. Defense enterprises have transferred spare parts and auxiliary equipment for a number of products, including refrigerators, cars, and TV satellite stations, to rural enterprises. The Jiangnan Space Industrial Enterprise Group alone has transferred over 170 auto spare parts to support the specialization of rural enterprises. The Jiangnan Enterprise Group has invested over 100 million yuan to set up seven rural enterprises, and has invested over 60 million yuan to set up four branch plants of the Jiangnan Machinery and Electronics Plant in Zunyi City. (Chongqing XINAN JINGJI RIBAO 6 Feb 94 p 1)

Guangzhou Per Capita GDP Highest in PRC

Guangzhou City's per capita GDP in 1993 was 11,490 renminbi, leading the country for the second successive year. Total GDP was 71 billion renminbi, an increase of 23 percent over the 1992 level. Average annual growth in the city in recent years has reached 21 percent, greatly surpassing the original goal of 11.8 percent set for the 15 years to the turn of the century. (Beijing ZHONGGUO XINWEN SHE 0811 GMT 5 Mar 94)

Guangxi Regional Airline Set for 28 March Launch

Guangxi Province plans to establish a new regional airline company, Guangxi Airline Co. Ltd., a joint venture between Guangzhou-based China Southern Airline and the Nanning-based Guangxi Zhizhuang Holding Co., beginning operations 28 March. The new airline will have a fleet of 10 Boeing aircraft and will initially operate regular local air services to and from Nanning, Guilin, and Beihai. These operations will later be expanded to include 23 Chinese cities and regular flight services to Hong Kong and Thailand. In the first year of operation the airline will operate 100 flights per week with a passenger volume of 6,000. (Hong Kong AFP 0524 GMT 11 Mar 94)

FEATURE: Shanghai's Successes, Efforts in Attracting Foreign Investments

Attracting foreign investment has been an important objective in Shanghai's economic agenda. The city has already succeeded in attracting a number of large international companies to establish businesses and is continuing to make strong efforts to attract new foreign investment.

According to the Shanghai WEN HUI BAO of 17 January, Shanghai Mayor Huang Ju stated that in 1993 Shanghai had actually received one-third of the $7 billion contracted foreign investments either in cash or equipment - a realization rate higher than the national average.

The SHANGHAI JINGJI BAO of 18 January reported that in 1993 Shanghai approved 3,650 new foreign investment projects, with 205 of them involving capital of over $10 million each. So far, 54 countries/areas have invested in Shanghai and 25 of the world's 100 largest international conglomerates have set up businesses there. In addition, the authority to approve foreign investment projects under $10 million has been granted to district, county, and bureau authorities to improve efficiency. In 1993, some 2,352 investment projects in Shanghai (excluding Pudong), or 64 percent of the total, were approved at the lower levels.

SHANGHAI JINGJIBAO also reported that foreign investment has expanded into the finance, real estate, commerce, food, and trade sectors. Shanghai now has 26 foreign financial companies, the largest number in China. Forty four of China's 500 joint ventures with the highest sales volumes are located in Shanghai. The Beijing JINGJI CANKAO BAO of 13 February reports that Shanghai plans to allow foreign financial companies to engage in renminbi business on a limited basis. Under the current conditions, foreign companies will first be allowed to conduct renminbi deposit and loan business with foreign-invested enterprises and those state enterprises that receive supplementary renminbi loans along with foreign loans. Statistics show that so far, Shanghai has approved over 6,000 foreign investment projects and has already attracted over $13 billion in foreign capital.

JINGJI CANKAO BAO also reported that this year, Shanghai plans to open approximately 100 industrial projects of over 10 million each in petro-chemical, metallurgy, power station, communications, tire, computer, and bearing sectors to attract foreign investors. In addition to joint ventures, new methods of cooperation will be adopted. The city plans to cooperate with foreign firms in retail, wholesale, capital goods, and trade businesses and will promulgate preferential policies to attract international finance companies to establish offices there.

Individual districts in Shanghai have also taken their own initiatives to attract foreign investments. The Shanghai WEN HUI BAO of 1 February reported that the government has greatly lowered development costs in Shanghai's Nanshi District so that foreign investors can enjoy a good return. In addition to holding weekly receptions for foreign investors, the approval period for foreign investment projects in Nanshi is being reduced from 62 to 40 days.

The WEN HUI BAO of 29 January reported that Shanghai's Hongkou District has also made major breakthroughs in foreign investment. Real estate renovation through land leasing--tearing down old houses and constructing skyscrapers--has become a major project. In 1994, Hongkou plans to open a new section to attract foreign participation.

The SHANGHAI JINGJI BAO of 25 January reported Shanghai's Pudong New District further accelerated the pace of foreign investment in 1993 and attracted 924 new foreign enterprises along with $3.125 billion in capital. Of these enterprises, 43.5 percent are engaged in production and 56.5 percent in service industries (now extending to over 30 different fields). Sixty nine percent out of the 140 export-oriented foreign enterprises approved in 1993 have already started to show a profit.

Anhui Increases Foreign Investment, Enterprises in 1993

In 1993, Anhui Province approved 1,039 new joint ventures, a 50 percent increase over 1992. The total investment was $1.98 billion, and registered capital was $1.36 billion. Foreign businessmen increased investment in energy and transportation projects, and the tertiary industry. In 1993, joint ventures earned over $80 million in foreign exchange from exports, a 90 percent increase over 1992. Joint venture exports accounted for 8 percent of all exports, compared to 5.6 percent in 1992. (Hefei ANHUI RIBAO 8 Jan 94 p 1)

Shenzhen Foreign Trade Authority Announces New Tilt in Nine Policies

In order to make more progress in Shenzhen City's foreign trade work and to carry out the "more export, more foreign exchange" policy promulgated by the State Council, Shenzhen City's Bureau of Trade and Development is promoting nine "tilt policies."

First, the tax rebate procedure will be simplified and unified state tax rebate policy will be implemented. The tax rebate procedure will require only one invoice and one certificate instead of two invoices and two certificates as in 1992. The audit and review process will also be strengthened.

Secondly, a loan policy favoring the expansion of exports will be introduced. All banks will guarantee loans on the priority basis needed by export businesses and must favorably support the loan repayment and the use of foreign exchange from the foreign-owned projects in energy, communication, transportation, and the service industry.

The third policy calls for reducing the burden on export businesses and encouraging their competitiveness. Starting in 1994, the regulation on taking back 0.05 yuan for every U.S. dollar that these businesses export will be cancelled.

The fourth policy is designed to encourage export businesses to better use and manage their regulating fund and to develop ocean shipping markets. The Shenzhen city government will borrow 30 million yuan from its financial revenue and, through the State Administration of Trade Development, give it to the export businesses to use for these purposes.

The fifth policy mandates public bidding on the distribution of permits and quota commodities and the creation of fair competitive environment.

The sixth policy seeks to reduce the export businesses' tax burden within the scope of financial policies and to lend support to them in developing export enterprises.

The seventh policy encourages the active development of import processing and re-exports operations and business operations that process imported raw materials. Under the new system, export businesses will be allowed to sign contracts with each side deciding on its own prices.

The eighth policy is designed to relax restrictions on export businesses' scope of operations. Under the new guidelines, except for the commodities covered by quota permits as stipulated by state regulation, all other commodities can be exported.

Finally, the process of evaluating import/export rights will be improved. Those businesses that do not meet the standards of exports and earning foreign exchange will have their export operating rights rescinded and tax refund privileges confiscated. (Shenzhen SHENZHEN TEQU BAO 29 Jan 94 p 1)

PRC-Funded Firms Boost Booming Hong Kong Real Estate Market

As Hong Kong office and residential real estate prices reach further heights, with the territory projected to overtake Tokyo as the most expensive business center in the world, two Chinese officials have voiced concerns over the activities of PRC-funded enterprises in the Hong Kong real estate market.

On 17 March, EASTERN EXPRESS reports on page 26 that a new study by realtor Jones Lang Wootton points to further rent rises and rising capital values in all areas of the Hong Kong real estate market. The study states that with chronic shortages of Grade-A office space, especially in Central district, and an equally serious supply crunch in terms of high-end accommodation to house incoming executives, office and residential rents are set to surpass Tokyo. The study says commercial and office rents rose 40 percent in 1993 and rose another 10 percent in the first two months of 1994. Residential rents also surged, with rents rising by between 30 and 70 percent depending on the quality and location of the accommodation. The study credits mainland-backed investors with a 23.2- percent share of the HK$57.5 billion of identifiable real estate transactions in 1993.

The role of PRC-funded firms in stoking the Hong Kong real estate market has attracted the scrutiny of Chen Yuan, vice president of the People's Bank of China and son of elder leader Chen Yun. A report by the Beijing-based press agency ZHONGGUO XINWEN SHE at 1442 GMT on 17 March cites Chen Yuan declaring his opposition to speculative activities in the market by PRC-funded organizations. Highlighting concerns that badly needed capital is being diverted from China to earn quick profits in Hong Kong, Chen Yuan stated that China faced a shortage of foreign exchange and construction capital, and he had a "disapproving attitude" towards PRC-funded entities speculating in the Hong Kong real estate market. However, Chen Yuan said that it was normal for PRC-funded enterprises in Hong Kong to buy office buildings and residences for their staff, adding that the Bank of China ran its banking business in Hong Kong independently, determining its scale of mortgage lending according to the market situation. Chen Yuan also noted that the People's Bank of China was not paying any special attention to the issue.

Lu Ping, director of the State Council's Hong Kong and Macao Affairs Office, has also commented on the role of PRC-funded companies in the real estate market. ZHONGGUO TONGXUN SHE at 1400 GMT on 17 March cites Lu Ping, in remarks to a group of Hong Kong delegates to the National People's Congress, as saying that China-funded enterprises should refrain from actions detrimental to Hong Kong's prosperity and stability. Lu said that these firms should not engage in real estate trading activities and that, as they were using state funds, they had an unfair advantage over other market players.

Hong Kong Investment Funds Created for PRC Investment

More investment funds are being established in Hong Kong to facilitate investment on the mainland. Taiwan's Jun Tai Group and the Shanghai International Trust and Investment Company are organizing a "Shanghai Development Fund" with $150 million to invest in enterprises in Shanghai; the U.S.-based Boston Pacific Technology and Investment Fund is cooperating with financial organizations on the mainland to set up funds to invest in projects in Shanghai; and the U.S.-based multinational GE Financial Services has joined other companies to promote a $50-million China Industrial Investment Fund. In addition, a China fund aimed at investing in high-tech projects is likely to be established this year, while 34 state enterprises and financial organizations on the mainland are discussing the idea of establishing a "Chinese Enterprises Development Fund" in Beijing with a Hong Kong company. (Hong Kong ZHONGGUO TONGXUN SHE 1020 GMT 15 Mar 94)

Hong Kong Dominates Foreign Investment in Beijing

Beijing by 5 March of 1994 had approved 7,521 foreign funded enterprises of all types with contracted foreign investment of $18.5 billion and realized foreign investment of $10.24 billion. Hong Kong interests were represented in 3461 enterprises, with a total capital investment of $5.76 billion. Taiwan investors provided $878 million in 948 enterprises. Together, Hong Kong and Taiwan investors accounted for 58 percent of foreign investment in Beijing. (Beijing ZHONGGUO XINWEN SHE 0808 GMT 5 Mar 94)

Wholesale Grain, Oil Markets Show Rapid Development

China's wholesale markets for grain and vegetable oil have shown rapid development and there are now two state-level markets, the Zhengzhou Wholesale Grain Market and the Shanghai Grain and Vegetable Oil Exchange. There are also over 10 provincial-level wholesale markets, dozens of regional wholesale markets, and over 80,000 primary grain markets. According to statistics, 13 provincial wholesale grain markets from January to November 1993 showed a business volume of 55.53 million tonnes, 260 percent up from the similar period in 1992. The Zhengzhou Wholesale Grain Market, since its inception, has had a business volume of 4.1 million tonnes and its prices have become the benchmark for the grain business throughout the country. (Beijing ZHONGGUO XINWEN SHE 0810 GMT 5 Mar 94)

Golden Resources Sets Up Rice Processing Venture in Vietnam

Golden Resources Development has taken a 55 percent stake in a $10 million joint venture in Vietnam to process and trade rice. Hong Kong's biggest rice distributor has signed a 50-year joint venture agreement with the four major rice producing provinces in Vietnam: Long An, Dong Thap, Tien Giang, and An Giang, which together account for 40 percent of the country's production. Vietnam's trade representative in Hong Kong, Huynh Minh Hue, said the venture was the largest of its kind so far. Golden Resources' share of the investment will be used to build a processing plant and to provide working capital. The managing director of Golden Resources, David Lam, said the company hoped to raise the quality of Vietnamese rice, so as to command higher prices on the world market. (Hong Kong SOUTH CHINA MORNING POST (BUSINESS POST) 8 Mar 94 p 3)

Guangdong Governor Wants More Foreign Banks, Cites Funds Shortage

Guangdong Governor Zhu Senlin says that his province is suffering from a shortage of funds and will try to absorb at least $10 billion in foreign investment. He also said that Guangdong

should try to attract more foreign banks and China-funded banks in Hong Kong and Macao to set up branches in the province. At the moment, Guangzhou only has seven branches and 24 representative offices of foreign banks, falling far behind Shanghai. Zhu requested the head office of the People's Bank of China to consider easing the number of foreign banks allowed into Guangzhou. Zhu Wanli, governor of the Guangdong branch of the People's Bank of China, said that Guangdong should make better use of the fund management experience and skills of Hong Kong and Macao. He also commented on the shortage of circulating funds that has landed many enterprises in dire straits, saying: It is imperative to put an end to ill-planned capital construction and use available resources on efficient enterprises to speed up the circulation of funds in a positive direction. (Hong Kong TA KUNG PAO Chinese 14 Mar 94 p 3)

South African Bank Opens Representative Office in Beijing

Nedbank, one of South Africa's big four banks, became the first from that country to set up a representative office in Beijing 16 March, despite the lack of diplomatic relations. John Maree, president of Nedbank's parent group Nedcor, said bilateral trade has more than tripled from $200 million in 1992 to $660 million in 1993. Beijing decided last October to lift trade and economic sanctions against South Africa after 30 years and trade this year is expected to reach $1 billion. "South Africa is the gateway for Chinese firms into the huge African market," Maree said. China mainly imports steel, coal, wool, gold, and raw materials from South Africa and exports textiles and electrical goods. Over 20 Chinese companies have opened representative offices in Johannesburg. (Hong Kong AFP 0609 GMT 16 Mar 94)

Shandong Reports Use of Foreign Government Loans

By the end of 1993, Shandong had signed more than 160 contracts on the use of foreign government loans. The actual amount of the loans used total $1.5 billion. Most of the projects developed with the loans have created economic and social benefits. (Jinan Shandong Radio 2300 GMT 2 Mar 94)

Danish Company Plans Investment in Tianjin Development Zone

A Danish company plans to invest in a project producing enzyme derivatives for industrial use and insulin in Tianjin Development Zone. The letter of intent was signed at the Tianjin Municipal Government Office on 26 February with Mayor Zhang Lichang. This project will cover an area of 170,000 square meters with an investment of about $200 million. (Tianjin TIANJIN RIBAO 27 Feb 94 p 1)

Tianjin Plans To Build Four Projects With Singapore

After two days of inspection and talks, Singaporean businessmen signed four letters of intent with Tianjin's relevant departments on 26 February on establishing four projects in Tianjin, including a plant to jointly produce plastic products with an investment of 32 million yuan; a company for handling and delivering containerized goods; a company for handling the storage of oil at Tianjin oil wharf; and a bonded goods circulation center with an investment of $100 million. (Tianjin TIANJIN RIBAO 27 Feb 94 p 1)

Taiwan Shipping Giant To Invest in Mainland Facilities

The Taiwan shipping giant Chang Jung Group has decided that its two subsidiaries will invest $50 million and $30 million respectively in mainland projects. This is the first mainland

investment ever undertaken by any listed Taiwan shipping company and will prepare for the opening of direct shipping links between the two sides of the strait. The planned investments will concentrate on piers, container distribution areas, and trailers at ports such as Shanghai, Qingdao, and Shenzhen's Shekou. (Hong Kong ZHONGGUO TONGXUN SHE 0953 GMT 13 Mar 94)

Taiwan Company Invests in Fujian, Shanghai

Taiwan's leading warehousing enterprise, Far East Warehousing Company, recently started setting up operation bases in mainland China. Apart from the bonded warehouse project at Shanghai's Waigaoqiao which has been finalized, its next investment project will be aimed at Fujian's Zhangzhou Bay. The company's investment in port-related projects on the mainland mainly covers facilities in the hinterland of the ports. In cooperation with the mainland partners, it will first make small investments to establish footholds and prepare for direct links between the two sides. In Shanghai, for example, it will cooperate with its mainland partner in running a bonded warehouse at Waigaoqiao. The joint investment will be $3 million, of which Far East Warehousing will contribute 49 percent or $1.47 million. (Hong Kong ZHONGGUO TONGXUN SHE 1025 GMT 2 Mar 94)

Guangxi's Beihai City To Set Up Industrial City With Singapore Help

A Singapore business leader and the mayor of Beihai recently signed a memorandum on the construction of a Singapore Industrial City, which will occupy 10,000 mu of land in Tieshan Port Industrial Zone in Guangxi's Beihai City. The land tenure offered by Beihai City Government is for a period of 50 years and is renewable with government approval. The city government will provide all infrastructural facilities, while the Singapore side will be responsible for overall planning, leveling, waste disposal, attracting investment, property management, and so on. This industrial city is intended as a base for the development of advanced industries, on a par with Singapore's industrial sophistication, and to create new jobs and import new technology and management techniques. (Hong Kong LIEN HO PAO 11 Mar 94 p 22)

Shenzhen Reaches Agreement With South Korean Firm on Oil Refinery

China Petrochemical Corp (Sinopec) has reached agreement in principle with Yukong Ltd, South Korea's leading refinery company, to build a $1.5-billion oil refining project in Shenzhen Special Economic Zone, Guangdong Province. This is the biggest venture involving South Korea since diplomatic ties were established in 1992. The refinery will have the capacity to process 100,000 to 150,000 barrels of oil per day. Yukong will hold 40 percent of the equity, the rest being owned equally by the state-owned Sinopec and the Shenzhen City Government. Yukong has a long-term agreement to import 10,000 barrels of oil per day from China. Sinopec is the largest industrial corporation in the PRC, with 690,000 employees, a registered share capital of $2.5 billion, and assets valued at $15 billion. It has investments in Japan, Hong Kor , and Thailand. (Hong Kong SOUTH CHINA SUNDAY MORNING POST [SUNDAY MONEY] 13 Mar 94 p 2)

Heilongjiang Imports Telephone Switchboards From Australia

Qingan County in Heilongjiang Province formally put its program- controlled telephone switchboards with a total capacity of 6,000 lines into operation on 15 March, thus becoming one of Heilongjiang's counties with advanced telecommunications equipment imported from Australia. This equipment is jointly financed by the World Bank and Qingan County with a total

investment of 17 million yuan. After putting this equipment into operation, Qingan County will change its telephone number from five digits to six. (Harbin Heilongjiang Radio 2200 GMT 14 Mar 94)

Heilongjiang Uses German Loan To Upgrade Switchboards

Heilongjiang Post and Telecommunications Bureau has decided to use $100 million of a low-interest loan from Germany to introduce program-controlled telephone switchboards with 79,600 channels. On 10 March, the China Post and Telecommunications Equipment Company, the Heilongjiang Provincial Post and Telecommunications Bureau, and a German company jointly signed this contract. These telephone switchboards will be installed in 14 cities and counties in Heilongjiang, including Qiqihar, Mudanjiang, Jiamusi, Daqing, and Hulin. It is planned that all these telephone switchboards will be put into operation prior to June 1995. (Harbin Heilongjiang Radio 2200 GMT 10 Mar 94)

Tianjin Signs First Joint-Venture Agreement With Poland

On 11 March, Tianjin Alcohol Plant and a company in Poland signed a letter of intent to jointly building a brewery in Tianjin. The brewery will produce vodka wine with alcohol material provided by the municipal plant and production technology by the Polish side. The total investment in this joint-venture project is $1.5 million. It is the first Sino-Polish enterprise in Tianjin. (Tianjin Radio 2300 GMT 11 Mar 94)

Hutchison To Build 12-Billion-Yuan Power Plant in Shenzhen

Hutchison Whampoa will build and operate a thermal power plant outside Shenzhen, according to an agreement signed with the Shenzhen Electricity Bureau. Total output from the first phase of the proposed plant will be 2540 megawatts. According to Shenzhen Vice Mayor Li Guangzhen, the Eastern Power Plant will be developed in several phases and will involve a total investment of 12 billion yuan. Li Guangzhen's assistant, Li Jangguo, said an agreement had been signed with Hutchison earlier this year and site preparation work had already begun. (HONG KONG STANDARD (FINANCIAL REVIEW) 16 Mar 94 p 1)

Fujian's Fuzhou City Uses Foreign Funds For Agricultural Development

Last year, Fuzhou City agricultural and sideline products industries attracted $1 billion in direct foreign investment in over 450 items. This investment helped the city earn $200 million in exports. The city exported agricultural and sideline products valued at over 1 billion renminbi to over 20 foreign countries and regions last year. The foreign investors are mainly from Japan, the United States, France, Singapore, Indonesia, Hong Kong, Macao, and Taiwan. (Beijing ZHONGGUO XINWEN SHE 0810 GMT 5 Mar 94)

Taiwan

Taiwan's 1993 Mainland Investment Trend Outlined

By October 1993, China had approved more than 15,100 requests by Taiwanese enterprises to do business on the mainland for a total negotiated cost of $13.6 billion. Many Taiwanese industry and business people pointed out that cross-Strait economic cooperation has contributed to the development of the Taiwan economy.

Taiwan's investment areas on the mainland have rapidly expanded from the southeast coastal area into all the coastal and some of the interior areas. There was a sharp increase of Taiwanese investment in and around the Changjiang River, Bohai region, and inland areas, and even in the remote provinces and autonomous regions such as Qinghai and Tibet. In the Changjiang River region, Shanghai alone had approved 482 direct Taiwan investment projects between January and September with a negotiated cost of $430 million dollars. This amount has exceeded both the total number of investment projects and the total cost for the past five years. Anhui Province has newly approved a group of Taiwan's investment projects whose total numbers and total investment amount have increased several fold. Jiangsu Province has the largest number of Taiwanese businesses. Taiwan's investment in the interior provinces such as Sichuan and Shanxi increased by a big margin. The northeast region has also become a hot spot for Taiwanese investment; Liaoning Province alone has attracted investment from more than 300 Taiwan businesses between January and September, far exceeding the total combined numbers of the previous nine years.

Taiwan's cross-Strait investment in 1993 has the following special characteristics:

One, there has been an increase in long-term investment and an expansion of investment areas. In addition to investing in labor-intensive processing industries, Taiwan businessmen have invested in the capital-intensive and new technology-intensive enterprises, and in basic infrastructure projects such as transportation, energy, and communications. They have also set up a whole series of new high-tech enterprises involving plasma slicers, laser products, biological projects, and computers in addition to expanding in the areas of finance and real estate. In recent years, Taiwan businessmen have actively focused their mainland investments on long-term strategic development, investing in plants and factories, seeking land use rights, and even building built factories and employee housing themselves.

Two, investment scales have hit new heights and business structures have undergone drastic changes. Estimates announced by the Council of Economic Planning and Development show that Taiwanese not only invest in the long-term capital-intensive and high-tech businesses, but also in all types of cross-industry, large-scale investments manifesting a pluralistic developmental approach. According to the same estimates, 64 percent of Taiwan's manufacturing industry investing in the mainland have already invested $2.65 billion in the first eight months of 1993, accounting for a 13-fold increase over the same period in 1992. Taiwanese businesses investing in the similar industries have joined together and established their own industrial regions, processing zones, and other cluster-oriented areas on the mainland, such as a bicycle production region in Kunshan, Jiangsu Province, a "computer street" in Shanghai, and a Taiwan machinery-specialization zone in Xiaoshan, Zhejiang Province. This large-scale and pluralistic grouping trend in Taiwan's investment in China will continue. (Taipei CHING-CHI JIH-PAO 15 Jan 94 p 2)

Companies Planning To Invest in Mainland's Hainan Province

According to a 21 February NIHON KEIZAI SHIMBUN article by Yosahiko Sakurai, one of the paper's Hong Kong correspondents, private-sector Taiwan companies are planning large investments in China's Hainan Province. A 200-man inspection group will visit Hainan in late March to assess investment areas, while a trade promotion group, the "Hainan-Taiwan Economic Cooperation Promotion Committee," has already been organized and is chaired by Hainan's vice governor. At present Taiwanese investment in Hainan is primarily small in scale, such as investment in restaurants.

Sakurai notes that in January 1994, Lien Chan, president of Taiwan's Executive Yuan, visited Singapore and proposed to Prime Minister Goh Chok Tong that Taiwanese and Singapore companies jointly undertake investment projects in Hainan, a step that would help protect Taiwanese investments. The outcome of Lien's visit reportedly heightened enthusiasm toward investing in Hainan on the part of Taiwanese companies.

The purpose of the trade promotion committee, which is based in Haikou, Hainan's capital, is to promote two-way economic cooperation and expedite the introduction of Taiwanese investment. The honorary chairman of the committee is Du Qinglin, Hainan's NPC delegate, and the chairman is Vice Governor Mao Zhijun. Hainan is seeking "large-scale Taiwan cooperation" in the petroleum, natural gas development, agriculture, fishing, and basic infrastructural sectors, Sakurai reports.

The 200-person corporate inspection group, Taiwan's "largest company inspection group ever," will visit Hainan from 25 to 30 March. For its part, Hainan's government has "growing expectations" concerning Taiwanese investment in the province, one of the five Chinese special economic zone, where foreign investment "has lagged."

Sakurai maintains that one uncertainty regarding investment in Hainan is "deep-seated opposition" to promoting trade with China among Taiwanese governmental officials. Because of this, people involved in this issue reportedly feel "the situation remains fluid" whether large-scale Taiwan investment in Hainan "will progress smoothly."

Minister of Economic Affairs Warns Taipei To Avoid Super 301

Commenting on 3 March on U.S. moves to revive super article 301 against Japan and other countries, Minister of Economic Affairs Chiang Ping-kun said that even though the article is aimed at Japan, and despite the fact that Taiwan's foreign trade surplus against the United States declined in 1993 to $6.76 billion from a peak of $16 billion, the not-too-open Taiwan market may still make it a possible U.S. target. As the United States has been exerting pressure on Taiwan to open up its domestic market, Taiwan should properly restructure its market before joining GATT at the end of 1994. (Taipei CHING-CHI JIH-PAO 4 Mar 94 p 2)

Plans To Export Arms, Planes, Missiles

In a report to Premier Lien Chan on 7 March, Minister of Defense Sun Chen said the Defense Ministry plans to cooperate with the civilian sector in commercializing for export defense industry products such as missiles and planes. Sun Chen noted that the shifting of the defense industry to manufacturing civilian products has been promoted for many years, adding that concrete results have been made in the manufacturing of communications equipment, radar, chemical weapons protection gear, and electronics equipment for military purposes in cooperation with the civilian sector. (Taipei CHING-CHI JIH-PAO 8 Mar 94 p 2)

Exports to United States Reverse Course, Increase in Dec 93, Jan 94

After declining for six consecutive months in 1993, Taiwan's exports to the United States in December 1993 and January 1994 reached $2 billion and $1.9 billion respectively, up 8.8 percent and 8.7 percent respectively over the corresponding months in 1992 and 1993. The United States is the largest importer of Taiwanese exports, absorbing some 28 percent of the nation's total exports. (Taipei CHING-CHI JIH-PAO 3 Mar 94 p 2)

Competitive Edge in U.S., Japan Deteriorates

A quarterly report released on 7 March by the Industry Development Bureau shows the Republic of China's export competitive edge in the United States and Japan is deteriorating rapidly in terms of constant market share. In the U.S. market, the competitive edge declined by 42 percent compared with five years ago, while in the Japanese market it declined between 42 and 52 percent compared with six years ago. (Taipei CHING-CHI JIH-PAO 8 Mar 94 p 2)

National Council Views Impact of Entry Into GATT on Local Industries

According to Taiwan's Council for Economic Planning and Development, after Taiwan joins GATT and lowers its tariffs, it will import greater amounts of raw materials for the agricultural and industrial sectors. While manufacturers' output will occupy a smaller proportion of the gross national product, the output of export-oriented manufacturers will increase. Agricultural output and the number of related workers will drop considerably. Both imports and exports will increase. A large number of foreign competitors will join Taiwan's service industry, a situation which will result in the improvement of services because of fierce competition. (Taipei CHING-CHI JIH-PAO 26 Feb 94 p 13)

Profit Rate of Manufacturing Sector Declines

The average selling price of Taiwan's major export products continued to decline in 1993, and the profit rate of the manufacturing sector averaged only 5.6 percent, the lowest in the past 8 years, according to the Council for Economic Planning and Development under the Executive Yuan. The council noted Taiwan's exports grew only 4.3 percent in 1993 and that the profit rate of its textile, timber, woolen, pulp, paper, and basic metal products averaged less than 4 percent. Only the profit rate of nonmetal mineral products exceeded 7 percent. (Taipei CHING-CHI JIH-PAO 8 Mar 94 p 2)

NORTH KOREA

FEATURE: DPRK's Interest in 'Chinese-Style Economic Reforms' Noted

Since the 1980's, North Korea has ruled out the possibility of adopting "Chinese-style economic reforms" and even declared that "establishing special economic zones does not suit our interests" when it introduced its joint venture law in 1984. However, in 1991, the government changed directions by making Najin and Sonbong free trade zones and is now planning to do the same in other areas of the country, according to South Korean press reports. A recent article in a Seoul journal features the views of two experts on North Korea on the DPRK's interest in China's reforms and the prospect for change in North Korea.

The 14 February CHUNGANG ILBO quotes an unnamed Chinese expert on North Korea who says that the DPRK is planning to make Sinuiju and Nampo special economic zones. With Najin and Sonbong on its eastern shore, and Sinuiju and Nampo on its western shore, the DPRK expects to reap economic benefits from these areas "much sooner" than from the UN-sponsored Tumen River free trade zone project, CHUNGANG states. The 1 March MUNHWA ILBO echoes CHUNGANG's views and reveals that Chongjin and Wonsan are also slated to become special economic zones.

In the 3 February SISA JOURNAL, Kim Pong-tok, a professor at Northeast Finance University in China, gave the following reasons as to why North Korea would be interested in China's approach to reform: a) China has made economic reform a priority, allowing social changes when timing and conditions are right, in order to "minimize shock;" b) China has been able to maintain a "socialist structure" under "communist leadership;" and c) if reforms are well planned from the outset, they can take place gradually, as they are in China. Kim notes several indications that the DPRK may be adopting "Chinese-style economic reforms:" a) North Korea has relaxed the rules on private ownership; b) since 1985, the DPRK has slowly changed its centrally controlled and planned economic system, allowing various industries a certain degree of freedom; c) the government has reduced the scope of central management; and d) North Korea has opened special economic zones, under new investment regulations. Kim points out that North Korea's joint venture law offers foreigners more favorable terms than China's law, and concludes by saying that "North Korea could rise as a new star of the Far East, if reform is properly handled."

SISA also reports the views of Ho Mun-yong, a prominent researcher at the National Unification Research Institute, regarding North Korea's outlook on China's reforms. Ho believes that Kim Il-song's visit to China in 1982, Kim Chong-il's tour of the Shenzhen special economic zone in 1983, and the enactment of the joint venture law in 1984 are indications that the DPRK is moving toward Chinese-style reforms. According to Ho, North Korea's interest in PRC economic reforms was "intense," but the government was "afraid" of following the Chinese Government's lead because of the risk of "ideological corruption by outside forces."

In Ho's opinion, the DPRK has "very little choice" but to make economic changes in order to maintain a political system that will allow Kim Chong-il to succeed his father. Kim has to do something "extraordinary" to establish his own credentials and "what better way to do that than to show leadership by boosting the economy and improving the standard of living through

economic reforms?" Ho notes that North Korea has marked "1990-1993 as a survival period, 1994-96 as an adjustment period, and the post-1997 years as a well-to-do period." He also predicts that North Korea will continue to change its economic policies.

Efforts Marking Beginning of 'Adjustment Period' Reported

Various industries are reportedly making "extraordinary" efforts to give the "adjustment period" a "successful" start. The 26 March Factory in Pyongyang has increased its productivity by utilizing industrial waste materials "effectively" and has found a way to produce insulators using common domestic raw materials. Other industries in Pyongyang have already produced over 6,000 tons of steel and 106,000 of general material items in 90 different categories. Also, over 90,000 small farming equipment items of 20 different types were distributed to Pyongyang area farmers to mark the opening year of the "adjustment period." (Pyongyang NODONG SINMUN 20 Jan 94 p 1)

SOUTH KOREA

FEATURE: Trade Ministry Announces New China Policy

South Korea's Trade Ministry has issued a paper outlining the country's new plans for economic relations with China, according to ROK press reports. Highlights include shifting from light to heavy industry, redirecting investment southward, and cooperating in five high-tech fields including nuclear energy. Seoul is backing its drive into China with a full range of direct and indirect subsidies designed to give ROK firms an advantage over competitors.

On 17 February, South Korea's Ministry of Trade, Industry, and Energy (MOTIE) released a report entitled "Comprehensive Measures for Making Inroads into China," outlining the ROK's latest plans for economic relations with the PRC. As reported in the 18 February MAEIL KYONGJE SINMUN (MKS), the policy seeks to "build a comprehensive support structure for economic cooperation including trade, investment, and industrial cooperation." Unlike previous ROK economic ventures into China which were "one-sided and impromptu," the current plan takes into account the experiences of Japan, Taiwan, Hong Kong, and other competitors in their dealings with China to help South Korea meet its challenges more effectively, the newspaper says.

Among the plan's concrete aspects, MKS reports the ROK Government will "greatly enlarge" its "Overseas Economic Cooperation Fund" and the Export-Import Bank's "Deferred Payment Export Fund" to "expand the scale on which our companies will be able to provide important plants and facilities which China needs to move forward with its plans for economic development." The paper reports that the former fund is supporting China investors this year with some $50 million, and that the figure will grow to $5 billion by 1996. At present, there are nine China-related deferred payment applications with a total value of $1.2 billion, according to the report. MOTIE intends to "accelerate" this by making China "the main target for deferred payment export financing." South Korea "through support measure like this will prepare an opportunity for itself to secure a favorable position vis-a-vis competing countries," the ministry states.

MOTIE considers it "urgent" that South Korea build its own distribution network in China and is working on a plan to accomplish this, according to MKS. The ministry aims to put a stop to "South Korean companies' indiscriminate investment in China, which has been lopsided by region," and will select "business sectors in which China investment will be encouraged," by dropping, for example, the requirement for prior approval. "Other types of financial support" will also be given, such as raising the ceiling on "Overseas Investment Fund" loans from 70 percent for large firms and 80 percent for small and medium businesses, to 90 percent for both.

Commenting on MOTIE's plan, the 18 February TONGA ILBO reports the government will enact measures to reduce the concentration of South Korean investment in Manchuria and redirect investment toward Shanghai and further south. The newspaper also says that ROK trade offices, now limited to Beijing and Shanghai, will be expanded to Dalian and Chongqing. Five particular areas of industrial cooperation will be pursued according to MOTIE's agenda: aircraft, automobiles, time-division exchange (TDX) switching equipment, nuclear energy, and high-definition television (HDTV). TONGA ILBO reports cooperation in aviation will be in the form of a joint program to build a mid-size 100-passenger airplane. (No mention is made of how this ties in with MOTIE's plans to produce a mid-size aircraft with a European partner. See related article in this issue of the *PACIFIC RIM ECONOMIC REVIEW*.) In the automotive sector, TONGA ILBO reports MOTIE wants to export finished cars to China, in addition to producing them locally. Plans for cooperation in the nuclear field include "operation and control" of a nuclear power station in Guangdong, exporting generating equipment, and building nuclear power plants. MOTIE reportedly is also encouraging exchanges of technology and personnel.

The 19 February MKS reports on how South Korean conglomerates are gearing up for large investments in China in anticipation of government support for increased involvement. ROK investments, which have been primarily in assembly and light industry, will shift to cars and other forms of heavy industry. Major projects planned or under way are reported to include the following.

Major ROK Investment Projects in China
(figures in million dollars)

Company	Project	Location	Scale	Investment
Samsung	Heavy equipment	Liaoning	1,000 pieces	13.0
	VCR factory		600,000 units	
Hyundai	Auto assembly	Dalian	300,000 cars	
	Semiconductors	Shanghai		50.0
	Car audio sets	Tianjin	300,000 units	2.0
Lucky-	VCR's	Shanghai		
Goldstar	Color CRT's	Changsha		100.0
	Audio equipment		1,000,000 sets	
	TDX factory	Shandong	1,000,000 units	
Daewoo	Cement	Shandong	2,400,000 tons	300.0
	a/c compressors		150,000 units	10.0
	Bus assembly	Shanghai		900.0
	Bus assembly	Guangxi	2,500 buses	35.0
	Pipes	Guangdong	100,000 tons	29.0
Sunkyong	Oil refinery	Shenzhen	150,000 barrels	1,100.0
	Video tapes		18,000,000 tapes	8.5

Ssangyong	Cement	Shanghai	600,000 tons	
Daerim	Octanol		100,000 tons	150.0
Posco	Cold-rolled steel	Liaoning	300,000 tons	

Other projects reported are tire cord, cotton spinning, polyester, cranes, construction equipment, transmissions, trash trucks, and beer.

FEATURE: ROK Announces Decision on Mid-Size Aircraft

The South Korean Trade Ministry's announcement that a single domestic firm will "lead" the development of the country's first indigenous commercial aircraft has drawn charges of "favoritism" among companies less likely to be selected, according to Seoul press reports. The 50-100 passenger design will be pursued with technical support from a European aircraft manufacturer. China's involvement on some level is being considered to facilitate overseas sales.

According to a plan made public on 7 February by the ROK's Ministry of Trade, Industry, and Energy (MOTIE) reported by MAEIL KYONGJE SINMUN (MKS) the following day, South Korea's government will sponsor development of a mid-size 50-100 passenger aircraft through a domestic consortium under one leading company, with technical help from a foreign manufacturer, probably European. Work is scheduled to begin later this year, after a decision is made on what companies will participate, and will be finished by 1998. MOTIE's announcement reportedly ends months of speculation over the type of aircraft to be developed and how the project will be apportioned among domestic companies (see *PACIFIC RIM ECONOMIC REVIEW* Vol 2 No 25, 15 Dec 93 pp 29-30 and Vol 3 No 1, 12 Jan 94 pp 26-27 for earlier reporting).

MOTIE chose the 50-100 passenger design based on estimated domestic demand for 170 units of an aircraft this size by the year 2000, with an export potential of another 100 planes, according to the 8 February CHOSON ILBO. The ROK Government will pay half the 279 billion won ($349 million) development costs as part of its goal to make South Korea 10th in aircraft worldwide by the next decade. The newspaper reports MOTIE will "direct and supervise" the project while private companies carry out the developmental work.

MKS reports the government will select by this May the "leading company" within a consortium of domestic manufacturers, whose stake in the project will be less than 50 percent. The share of other ROK firms will depend on their actual roles. All companies in the consortium will work together on design, equipment, parts manufacture, and mass production, but only the leading company will perform final assembly and afterservice, according to CHOSON ILBO. Except Samsung which reportedly is the "strongest contender," all other candidates, including Daewoo, Korea Air, Hyundai, and Halla, oppose the concept of a leading company as "favoritism."

Several of the firms cited above have already signed cooperative agreements with Asian countries and are "extremely dissatisfied" with the government's decision to limit foreign cooperation to a single firm. Candidates said by MKS to be "under consideration" are all European: England's BAE, Spain's CASA, and Sweden's Saab, MKS reports. MOTIE's quest for a foreign partner stems from its "concerns" that local technology is inadequate, and that the ROK would have trouble selling the plane overseas on its own. CHOSON ILBO notes similarly

that MOTIE's present plan is to invite only one foreign firm to participate in the plane's development, but that it may bring in a third country, "including possibly China," to facilitate marketing the aircraft.

FEATURE: South Korea Building Two New Research Institutes

> ***Two large research institutes will open this year in South Korea, each in its own way aimed at accumulating and disseminating information from and about foreign countries. Kwangju is getting its first graduate engineering research institute, staffed with many foreign instructors and geared toward acquiring foreign technology. Samsung meanwhile has built the country's first "Industrial Business Research Institute" which will train employees in overseas business practices while doubling as a commercial intelligence collection facility.***

South Korea will open two major research institutes over the next few months, one a government-sponsored S&T university in the southern city of Kwangju, the other a private business research facility in Yongin near Seoul. Although different in location, affiliation, and ostensible function, the two institutes share a common goal of acquiring information on foreign commerce and technology, and disseminating this knowledge among the ROK's professional and managerial elite.

According to the 2 March CHUGAN MAEGYONG, construction of the Kwangju Science and Technical Institute will be completed this year and first classes will be held in March 1995. Intended as a "first-rate" engineering college, the institute will admit 360 students into master and 224 students into PhD programs in five fields: information and communications engineering, new materials, electro-mechanical engineering, life sciences, and environmental engineering. Before 1993, the school was operated as a branch of the Taedok-based Korea Advanced Institute of Science and Technology (KAIST). The decision to upgrade its status and facilities was made to attract better students and to integrate the south into the country's S&T network. CHUGAN MAEGYONG reports the cost of the physical plant at 132 billion ($165 million). The 1 January MAEIL KYONGJE SINMUN gives its 1994 operating budget at 23.97 billion won ($29.96 million).

CHUGAN MAEGYONG describes the new institute as one of several projects undertaken by the ROK's Ministry of Science and Technology to foster the development of high-level technical personnel able to help South Korea "leap" into the ranks of advanced countries by the 21st century. The university will heavily emphasize research, with a planned faculty-to-student ratio of 1 to 5. The magazine reports a "large number" of foreign professors will be hired. It also says 10 to 20 percent of the 120-member faculty will be "pure" foreigners, presumably to distinguish this group from ethnic Koreans overseas who will also be recruited. The university will require faculty and students "to attend all types of international academic meetings and receive education from foreign professors." Foreign languages will be taught to give students access to "theoretical work in their specialties."

CHUGAN MAEGYONG's 28 February issue reports that Samsung, South Korea's leading industrial conglomerate whose efforts to collect information on foreign commercial technology and businesses have been the subject of several ROK media reports (see *PACIFIC RIM ECONOMIC REVIEW* Vol 2 No 17, 25 Aug 93 pp 22-23 and Vol 2 No 20, 6 Oct 93, p 25), will open an Industrial Business Research Institute this June in Kyonggi Province. The facility is

designed to produce "global businessmen" on the premise that Samsung's future depends on its employees' knowledge of foreign customs, business practices, and languages. The institute, reportedly the first of its kind in South Korea, will cost 22 billion won ($27.5 million). Some 220 trainees will be in residence at any one time.

According to CHUGAN MAEGYONG, Samsung's institute has three functions: (1) preparing international specialists for "globalization" (essentially, a group-wide effort to sell more goods overseas through better market research and products tailored to individual countries); (2) The training facilities will double as a "professional information center" for storing and handling data on foreign countries; and (3) "Concentrated research" on different areas of the world will be carried out by more than 100 full-time area specialists, including former diplomats, overseas Koreans, Korea Trade Promotion Corporation (KOTRA) officials, and Samsung employees with experience abroad. The results of this research will be "used fully" in the company's business activities.

"Globalization" training will include courses on international finance, taxation, investment, labor-management relations, marketing, languages, and customs. Satellite receivers will pick up lectures in foreign languages on these and other subjects. Samsung reportedly has consulted with Japan's SR International, the United States' Global Success, and other foreign firms on curricula.

ROK Advertises for Expatriate, Foreign Scientists

The following advertisement appeared in the 14 February Seoul HANGUK KYONGJE SINMUN on page 7:

Invitation To Apply for Employment in a Brain Pool
of High-Level Overseas Scientists

The General Federation of Korean Science and Technology Organizations, in accordance with the Government's (Ministry of Science and Technology's) plan to employ high-level S&T personnel (a brain pool system), invites superior overseas scientists and technicians to South Korea for work in research and development, in order to achieve the supreme national task of helping South Korea enter the ranks of scientifically and technologically advanced countries by the 2000's. We hope for your wide participation.

1. Goals

To strengthen national competitiveness in keeping with the trend toward a global, worldwide, information society, we seek to employ superior overseas ethnic Korean and foreign scientists and technicians locally in domestic research and development, to contribute toward South Korea's entry into the ranks of scientifically and technologically advanced countries by the 2000's.

2. Fields

All fields of science and technology which are the objects of national strategic development, including:

- basic fields (basic research, measurement, standards, astronomy)
- machinery and materials fields (machinery, ships, aviation, space, materials)
- electrical and electronic fields (electricity, power, electronics, computers, communications, optical technology)
- chemical engineering and biological fields (chemistry, chemical engineering, biology, agriculture and fishing, sanitation)
- resources and oceanographic fields (resources, oceanography, environment, construction)
- energy fields (atomic power)

3. Positions To Be Filled

100 or fewer

4. Personnel Sought

a. Ethnic Korean and foreign scientists and technicians with five years or more experience working overseas from the time they received a PhD.

b. Ethnic Korean and foreign scientists and technicians who possess excellent, world-class R&D accomplishments or know-how, regardless of their degree or experience, as determined by the Selection Committee.

5. Period of Employment

a. Between six months and two years (less than six months is also possible, as determined by the Selection Committee).

b. There is a possibility of extending the employment period beyond two years (as determined by the Evaluation Committee).

6. Support and Expenses

a. Expenses incurred entering and leaving the country (airfare and personal expenses, etc.)

b. Costs in country (automobile and other support depending on one's experience, salary on a level higher than the compensation received in one's own country, to be decided by the Selection Committee)

7. Institutions of Employment

a. Government-funded research labs (institutes)

b. National and private research labs

c. Universities (except ERC [Engineering Research Center] and SRC [Science Research Center])

8. Method of Employment

Conduct joint research as part of an existing or new R&D team, with the possibility of concurrently giving lectures in one's specialty, and making presentations in various types of academic meetings and seminars.

9. Evaluation

The scientists and technicians who are hired will have their research results evaluated from the perspective of the type of employment at six-month intervals by the Evaluation Committee.

(If found "unsuitable," support will be discontinued and that part of the support paid will be recovered from the institution where the person is employed.)

10. Application Period

14 February to 10 March (for the first half of the year).
* Remaining personnel look for a later notice in the second half of the year.

11. Documents To Submit

a. Application for employment with the Brain Pool (in a form determined by the individual) 1 copy
b. Statement of plans (to be drawn up by the institution applying) 1 copy
c. Written introduction from the institution applying 1 copy

12. Information Office

General Federation of Korean Science and Technology Organizations
(635-4 Yoksam-dong Kangnam-gu Seoul 135-703)

13. Miscellaneous

a. Materials received will not be returned.
b. Please address detailed inquiries to the General Federation of Korean Science and Technology Organizations (Tel: 553-2181-5)

Director

General Federation of Korean Science and Technology Organizations

---

(Note: the 25 January MAEIL KYONGJE SINMUN identifies South Korea's Ministry of Science and Technology as the sponsor of this organized effort to acquire foreign technology. See PACIFIC RIM ECONOMIC REVIEW Vol 3 No 5 9 Mar 94 pp 33-34)

Steel Firm Imports North Korean Scrap Iron

ROK steel producers are actively moving ahead with importing scrap steel from North Korea. In January, Inchon Iron & Steel Co., Ltd. (Inchon Steel) brought in on a trial basis 1,200 tons of scrap iron from Najin. The company tested the suitability of the iron, which was obtained from dismantled rail cars, and found that the quality was not as good as U.S. scrap iron. Nonetheless, steel firms which use scrap steel as raw materials in their electric furnaces are actively moving ahead with importing scrap iron from North Korea. Inchon Steel is already prepared to place a supplemental order for 8,000 tons via a Japanese trading company. North Korea has many scrapped rail cars and cracked rails. If the nuclear issue is resolved and North Korea normalizes its foreign relations, ROK firms could possibly import 40-50,000 tons of scrap iron from North Korea annually.

In the long run, steel firms could even import scrapped Russian rail cars via Najin or Sonbong, where they could be disassembled. Realizing that North Korean scrap iron refining

facilities are insufficient, ROK steel firms are considering plans to have a joint scrap iron refining facility in the Najin-Sonbong region. In addition, they are considering plans to import pig iron directly from the Songnim region. Currently, steel firms import 4-5,000 tons of North Korean pig iron each year via China. (Seoul HANGUK KYONGJE SINMUN 16 Feb 94 p 9)

Car Makers Consider New Production Method To Raise Productivity

ROK auto makers Hyundai, Kia, and Daewoo believe that it is not possible to greatly increase productivity using current production methods and are looking at a method that most overseas car makers use. With the "module" production method, a cooperating company or separate assembly line assembles individual parts in advance, and then a main assembly line assembles the semi-finished goods. This method allows producers to check in advance for defects, and it requires fewer workers on the assembly lines. Thus, companies can greatly increase their product quality, automation rates, and productivity by using this method. Hyundai Motors has done a few experiments with the module method, and this year will move to bring the process into its company. Kia Motors is already using the method in some of its production, but there is still a big difference between its efforts and those of advanced car makers. (Seoul HANGUK KYONGJE SINMUN 13 Feb 94 p 4)

China's Currency, Tax Reforms To Be 'Direct Blow' to ROK Exports

China's moves to unify its two currency system (renminbi and foreign exchange certificates), adjust tariffs, raise the VAT, and impose a consumption tax will greatly weaken ROK export competitiveness in third country markets where ROK and Chinese goods compete. The moves are also expected to be a "direct blow" to ROK exports into China. China has devalued the yuan by 33.3 percent, fixed the VAT (which had varied between 8 and 15 percent depending on the type of good) at 17 percent, and set up a new consumption tax to restrain imports. The estimated effect of these changes will be to boost the price competitiveness of Chinese goods by at least 20 percent in overseas markets.

While China's reform measures bring its trade system in line with international standards, they also seem to reveal China's intention to curb imports. The exchange rate adjustment and tax measures will act like a "double trap" to ROK exports to China. For example, one ton of cold-rolled ROK steel, which cost a Chinese importer $400 last year, would now cost close to twice that amount. The VAT and tariffs on that ton, which last year equalled 592 yuan ($102.07 at $1/5.8 yuan), would now total 1009 yuan ($115.98 at $1/8.7 yuan) thanks to adjustments in the tax, tariff, and exchange rates. The impact on ROK firms is not all negative, however. ROK firms that manufacture in China and export to third countries will see their competitiveness rise. Also, because foreign currency restrictions are being eased, there is a growing possibility that Chinese firms may expand their imports. (Seoul HANGUK ILBO 11 Jan 94 p 9)

South Korea To Set Up 'KORNET'--Korea Internet

This year South Korea will put into service Korea Internet (KORNET), which can receive databases from "famous" overseas universities or research institutes. In Korea Telecom's judgment, using an international scientific research network that can easily utilize high-tech S&T information in order to strengthen industrial competitiveness is an urgent matter. It has decided to offer domestic commercial service for INTERNET, and wll set up the service so that customers can link up with the system using various methods, such as a LAN (local area network) or a modem. Links with LAN units will use 56 Kbps (kilobits per second) or 9.6 Kbps lines, while links with modems will use 2.4 or 9.6 Kpbs. This year, Korea Telecom will set

up T1-level (1.544 Mbps) backbone networks in six ROK cities (the article names only five--Seoul, Pusan, Taejon, Taegu, and Kwangju). Korea Telecom will upgrade the backbone network to T3-level (43 Mbps) lines by 1997. (Seoul HANGUK KYONGJE SINMUN 11 Jan 94 p 20)

Government To Regulate Transport of Industrial Waste

Beginning in June, ROK companies must receive advance permission from the Ministry of Trade, Industry, and Energy (MOTIE) before importing or exporting certain industrial wastes. This procedure will apply to 47 different items. In addition, in March the government plans to formally join the Basel Convention regulating transboundary movements of hazardous wastes. It also intends to establish its own regulations governing the shipment of waste between nations in mid-March. According to the regulation prepared by MOTIE, the government will call for the forcible re-export of illegally imported waste. The government also may, if necessary, prohibit the import of certain wastes to protect the environment or public health. Furthermore, those who import waste without permission or who disobey the rules on exporting waste will face five-year prison sentences and fines of up to 30 million won ($37,500). To more strictly regulate transport of these materials within South Korea, the government will set up recycling complexes to nurture recycling enterprises in places like Noksan and South Cholla Province's Yojon.

South Korea imports 50 different types of waste materials--worth $1.5 billion--each year for use as industrial raw materials (see table). While MOTIE realizes that importing some types of industrial waste is unavoidable, it plans to regulate more strictly the transport of certain toxic materials within South Korea. In addition, companies will be required to obtain permission from the Ministry of the Environment in cases involving extremely toxic or hazardous materials.

ROK Imports of Industrial Waste, 1990-1993
(Unit: 1 ton)

		Imported from:	
Product	United States	England	Canada
Nickel	346	-	-
Lead	162.7	-	181.1
Copper	-	4,669.5	-
Zinc	17.8	-	-
Plastic	38.2	-	35.5
Aluminum	-	-	4,503
Toxic chemicals	-	23,331.5	-
Metallic iron	3,064,185.9	749.5	-
Non-ferrous metals	-	-	2,634

(Seoul HANGUK ILBO 4 Feb 94 p 2)

Hyundai Motors To Market 'Fully Indigenous' Automobile

Hyundai Motors will begin selling a fully indigenous, 1,500-cc passenger car next month. The "Accent" was developed solely with domestic technology and is equipped with locally built components including engine, transmission, various metal casts, and electronic parts. It is the first car built by South Korea without royalty payments to foreign component suppliers. (Seoul YONHAP 0230 GMT 11 Mar 94)

Sunkyong Industries Develops Biodegradable Film

Sunkyong Industries has developed a type of polyester-based film for paper coating that can be fully dissolved by micro-organisms. The film is used for coating paper bags and stationery. (Seoul YONHAP 0223 GMT 4 Mar 94)

Yukong Enters Power Generation, Liquefied Gas Business

Yukong Ltd. plans to enter the power generation and liquefied natural gas (LNG) businesses. The oil refining company's move is in line with the government's policy of promoting the participation of private firms in electric power generation and LNG projects. The action is also part of Yukong's long-term plan to become a general energy company by diversifying into other areas because of oil refining's growth limits. (Seoul THE KOREA TIMES 9 Mar 94 p 8)

Real Estate Company Becomes First Private Owner of Public Firm

Keo Pyong Co., a real estate developer, has taken over the Korea Tungsten Mining Co. to become the first private buyer of a public corporation under the government's policy to privatize state-run companies. Korea Tungsten, founded in 1916 as an exporter of tungsten ore, has recently focused on manufacturing processed products as China has emerged as the biggest supplier of the metal. The company's capital was 26.2 billion won ($32.75 million) as of the end of last year, with 60.2 billion won ($75.25 million) in sales and 8.5 billion won ($10.63 million) in net profits. Its assets are valued at over 300 billion won ($375 million). (Seoul THE KOREA HERALD 2 March 94 p 8)

Goldstar Signs Multimedia Deal With U.S. Company

Goldstar recently announced that it has signed a contract to cooperate with the U.S. company Oracle Corporation to develop and market multimedia equipment. The contract will pave the way for Goldstar to participate in the U.S. information superhighway project and to enter the multimedia market there. The contract calls for Goldstar to provide technology for producing compact disk interactive (CDI) equipment, which is designed to allow customers to select video movies on their televisions through telephone lines on a video-on-demand (VOD) basis. The communicable CDI system, called "set top box," is a basic instrument for new media service firms such as Oracle. (Seoul THE KOREA TIMES 18 Feb 94 p 8)

Daewoo Electronics To Export Computer Monitors to U.S. Firm

Daewoo Electronics has been designated the main supplier of monitors to the AST Research Company, a U.S. computer company. Daewoo will supply over 500,000 units including 14-inch monitors for personal computer use and 17-inch monitors for CAD/CAM (computer-aided design/computer-aided manufacture) use. Sales will reach $100 million per year. The contract is renewable annually as conditions warrant. (Seoul MAEIL KYONGJE SINMUN 26 Feb 94 p 8)

Koryo Zinc To Develop Lead, Zinc Mines in Canada

Koryo Zinc will invest $8.952 million to establish a corporation in Canada to develop lead and zinc mines there. Koryo Zinc and a Canadian zinc refining company will take over two lead and zinc mines in Canada at a cost of Canadian $29.84 million. Expenses will be shared 50:50. Koryo Zinc is also promoting development of lead and zinc mines in China. (Seoul MAEIL KYONGJE SINMUN 25 Feb 94 p 11)

Daewoo Motors Enters Partnership With Japan's Honda

Daewoo Motors is forming an overall partnership--in technical assistance and sales--with Japan's Honda. After developing its "Arcadia" model based on the Acura "Legend," Daewoo signed a contract to import Honda's "Accord" in April or May this year. Honda's former Korean import agent Daelim had stopped importing Accords since the end of last year. Daewoo will also develop a compact car based on Honda's "Civic," and is negotiating to produce Civics in its PRC plant in Changchun. Daewoo is expanding cooperation with Honda to save on development costs. (Seoul MAEIL KYONGJE SINMUN 8 Mar 94 p 10)

Sambo To Export Personal Computers to Japan

Sambo Computer Company recently concluded a contract with Japan's NEC to export NEC-9800 personal computers worth $200 million to Japan in the form of OEM (original equipment manufacturing). Shipments will begin in 1995. (Seoul MAEIL KYONGJE SINMUN 8 Mar 94 p 22)

Goldstar To Build Television Plant in Vietnam

Goldstar will set up a color TV plant in Vietnam as a joint venture with two Vietnamese enterprises--Thang Loi and Sae Yang. A contract will be signed at the end of April, with construction starting in September on a $6-million plant located outside Ho Chi Minh City. The venture, which goes into operation in March 1995, will produce 200,000 color sets per year with 14-, 16-, 20-, and 25-inch screens. Some 70 percent of the TV's will be sold in Vietnam and the remainder exported to neighboring countries. Goldstar's parts making affiliates are also making plans to enter the Vietnamese market. (Seoul THE KOREA TIMES 7 Mar 94 p 8)

Daewoo To Export Forklifts to United States

Daewoo Heavy Industries will establish a sales corporation in the United States, DEC, to export its own model of forklift trucks. DEC will be based in Cleveland, and a center for spare parts will be built in Brunswick, Georgia. The company plans to set up distributors in all 50 states. Daewoo will export 9,000 forklifts this year to the world market, and 15,000 units in 1995. For the past 10 years, Daewoo has exported forklift trucks under the Caterpillar brand name through original equipment manufacturing. (Seoul MAEIL KYONGJE SINMUN 8 Mar 94 p 11)

Korea Nambang Development To Advance Into PRC, Indonesia

Korea Nambang Development (KODECO) will invest $500 million to begin new large-scale businesses in the PRC and Indonesia. KODECO established a joint-venture plywood company with an Indonesian firm (Pakati Wood). With paid-in capital of $10 million, the 60:40 joint-venture acquired development rights for 30,000 acres of forest in Irian Jaya, Indonesia. The company will produce 240,000 cubic meters of plywood a year.

KODECO also established a joint venture with the Forestry Bureau of Shanhe Village, Heilongjiang Province, China. The operation, to be located in Yingkou, near Dalian, Liaoning Province, will produce yearly 35 million cubic meters of plywood from pulp beginning in 1996. (Seoul MAEIL KYONGJE SINMUN 4 Mar 94 p 19)

Daewoo To Build Joint Venture Auto Plant in PRC

The Daewoo Group will build a joint venture automobile plant in China in cooperation with China's Shandong Provincial Government and a Chinese motor company. Daewoo and the Chinese side will each invest 50 percent of the total fund of $1.5 billion. Chairman Kim U-chung and other Daewoo managers will visit China soon to finish negotiations, and the project will be announced officially after approval is obtained from both governments. (Seoul MAEIL KYONGJE SINMUN 27 Feb 94 p 1)

Il-yang, Chinese Firm To Build Pharmaceutical Factory in Jiangsu

Il-yang Pharmaceutical Co. will establish a joint venture with a Gaoyou City pharmaceutical factory in China's Jiangsu Province. The company, tentatively named Yangzhou-Ilyang Pharmaceutical Co., will be capitalized at $4 million, with the Korean company contributing 32 percent. Il-yang will build a plant as soon as it receives authorization from the Chinese Government and start manufacturing tonic drinks and digestives in the latter part of next year. (Seoul YONHAP 0223 GMT 4 Mar 94)

Inchon Steel Receives Order From Indonesia

Inchon Steel recently received an order for 500 tons of molding iron (worth $1.3 million) from the Indonesian engineering company FPE (Flat Product Equipment Co). The molding iron will be used to expand FPE's facilities for large-scale housing and housing parts. Shipments will begin on 10 August. (Seoul MAEIL KYONGJE SINMUN 4 Mar 94 p 18)

Dongbu Steel To Transfer Silicon Technology to German Firm

Dongbu Steel will transfer silicon production technology to Wacker-Chemitronic of Germany for $3.84 million plus royalties. The technique is for the production of multicrystalline silicon, an ingredient for semiconductors. The German firm currently supplies 30 percent of the world's demand. Dongbu is entitled to a royalty of 1-2.5 percent for the technology it developed jointly with the Korea Research Institute of Chemical Technology, a government-funded research institute, over a period of 10 years. The company said it opted for German production instead of domestic manufacturing because of the high costs involved in transporting the ingredient material, thricholosil. (Seoul THE KOREA HERALD 10 Mar 94 p 8)

Daewoo Car Audio Plant in Tianjin Begins Operations

Daewoo Electronics expects to put its car audio plant in Tianjin, China into full operation on 11 March. The plant will make 600,000 car audio systems a year, all for export. Daewoo has a 100-percent stake in the plant with an investment of $3 million. Annual capacity will be increased to about 2 million units by the year 2000. (Seoul YONHAP 0230 GMT 11 Mar

SOUTHEAST ASIA

INDONESIA

Paiton Electric Power Agreement Signed

Indonesia recently signed an agreement with P.T. Paiton Energy Co., an international consortium, to produce electricity at the $2.3-billion, coal-fired Paiton power station in East Java. According to Indonesian officials, the two 615-mw units covered under the agreement are expected to be operational by 1998.

The consortium consists of Mitsui & Co. of Japan and Mission Energy of the Netherlands, each holding a 32.5-percent stake in the project; the U.S. General Electric Power Funding Corporation which has a 20-percent share; and Indonesia's P.T. Batu Hitam Perkasa, controlled by Hashim Djojohadikusumo, which holds the remaining 15 percent.

Paiton Energy has agreed to sell the electricity it will produce to Indonesia's state-owned electric company PLN over a 30-year period, based on a three-tiered rate structure--8.56 cents per kilowatt hour (kwh) for the first six years, 8.41 cents per kwh for the following six years, and 5.54 cents per kwh for the last 18 years. (Jakarta KOMPAS 14 Feb 94 p 8)

Increased Competition Expected in LNG Market

Pertamina Director for General Affairs Baharudin recently stated that even though Indonesia is the world's largest LNG exporter, it cannot ignore the emergence of several new competitors. Baharudin said that five countries are vying for the Asia-Pacific region's LNG market, which is currently concentrated in Japan, South Korea, and Taiwan, with China and Thailand surfacing as potential markets. Qatar, Alaska, and Australia are in the process of increasing their annual LNG production by 10 to 15 million tons, and Malaysia and Oman by 5 million tons, Baharudin noted. (Jakarta BISNIS INDONESIA 19 Feb 94 p 5)

Batam Island To Be 'Center' for Taiwanese Investments

Minister of Research and Technology B.J. Habibie recently stated that Taiwan has formed a task force to encourage entrepreneurs to invest in Batam, as Taiwan plans to make Batam Island the "center" of its Southeast Asian investments. In return, Habibie has requested that Chang, director of Taiwan's Evergreen Group, serve as his personal advisor in a $600,000 project to establish a container port in Batam, capable of handling 600 million containers annually. Evergreen has already completed a feasibility study on the project, at no cost to the Indonesian Government. While Indonesia has offered Evergreen the contract to construct the port, the company has not responded thus far. (Jakarta BISNIS INDONESIA 15 Feb 94 p 6)

P.T. Pindad To Shift Production, Marketing Focus

T. Sjamsu, senior executive vice president of P.T. Pindad, recently announced that the company is shifting its production and marketing efforts away from the military sector. In order to boost revenues and defray the cost of producing military equipment for the Indonesian Armed Forces (ABRI), the company plans to devote 80 percent of its production capability to the manufacture of non-military equipment. In the past, P.T. Pindad was able to sell 40 percent of what it produced to overseas commercial markets, Sjamsu said.

P.T. Pindad produces ammunition, pistols, revolvers, and non-military equipment such as generators, machine tools, vacuum circuit breakers, and air brake systems. (Jakarta BISNIS INDONESIA 14 Feb 94 p 9)

State-Owned Gas Company To Receive $424-Million Loan

The state-owned gas company Perum Gas Negara will receive a $424-million loan for the construction of an 823-km pipeline from the Asamera gas field in South Sumatra to the Duri oil field and Batam Island, Riau. The loan will come from a syndicate comprising the Asian Development Bank, the Export-Import Bank of Japan, and the European Investment Bank. (Jakarta THE JAKARTA POST 4 Mar 94 p 1)

Increase in Trade With Taiwan Expected

An official of the Taipei Economic and Trade Office in Jakarta recently announced that bilateral trade this year is expected to increase by $3.5 billion over 1993. The estimate is based on historical growth trends, Taiwan's increased purchase of liquefied natural gas, coal, crude oil, and non-oil products, and Taiwan's increased investments in Indonesia. (Jakarta THE JAKARTA POST 4 Mar 94 p 9)

LAOS

French Firm To Build Hydropower Station

The state-run Electricite du Laos and Sogreah of France recently signed an agreement for the construction of the Nam Leuk hydropower station. The project, to be funded by an Asian Development Bank loan, is expected to generate 40 mw of power. (Vientiane KPL 0830 GMT 15 Mar 94)

MALAYSIA

Mahathir Outlines Strategy for Space Industry

Prime Minister Mahathir has outlined a three-step approach to develop an indigenous space industry that can foster space-related commercial ventures in the country. The strategy calls for local companies and institutions to participate in selected foreign space programs that are compatible with Malaysia's scientific and industrial capability; to establish a networking system with space agencies in Europe, Asia, and the United States, that will facilitate Malaysia's participation in various programs and projects; and to promote closer relations among the countries in the region in order to develop scientific and commercial activities that would be mutually beneficial.

Mahathir remarked that Malaysia should break into the space industry, not only because of the impact it would make on international politics and the economy and defense worldwide, but also because new initiatives in the space industry can benefit other industries, such as aeronautics, aerospace engineering, and communications. (Kuala Lumpur BERITA HARIAN 18 Feb 94 p 8)

Telekom Malaysia To Provide Services in India

Telekom Malaysia recently announced that it has received an offer from the Indian Telecommunicatons Department to operate paging and cellular services in several major cities in India. It has formed a joint venture company with Usha Martin Industries (UMI) Ltd. of India, which is expected to be operational sometime this year. The new company, Usha Martin Telekom Ltd., will be worth $40 million, with both sides holding equal shares. (Kuala Lumpur BERITA HARIAN 17 Feb 94 p 7)

PHILIPPINES

FEATURE: Davao Focusing on Economic Growth

Davao, the principal city on the island of Mindanao, is focusing on achieving economic growth, according to related articles in a Manila daily. The city has turned its attention away from Manila, to a "triangle area" that includes East Indonesia, East Malaysia, and other parts of Mindanao. Cooperative efforts between Davao and other cities are under way, cross-investments have started, and infrastructural improvements in Mindanao are being planned, the paper notes.

An article in the 11 February BALITA reports that just as the Philippines feels "left out of booming Southeast Asia," its southern island of Mindanao feels "left out of the rest of the country." However, the article adds, the island's main city, Davao, is trying to achieve economic growth by working with surrounding areas in Mindanao, East Indonesia, and East Malaysia.

The East Asian Growth Area (EAGA), patterned after the two other economic areas in the region (the Southern Triangle encompassing Singapore, Johor (Malaysia), and Batam Island (Indonesia), and the Northern Triangle, comprising Aceh (Indonesia), Penang (Malaysia), and southern Thailand), is designed to promote trade and development in the "triangle area" of Mindanao, East Indonesia, and East Malaysia, according to the 12 February BALITA. Guided by the EAGA concept, Davao is focusing on its own economic progress, the paper says, citing increasing construction of new buildings and the recent opening of three shopping malls as indications of growth in the city.

The 11 February BALITA reports that, according to Merle Cruz, regional director of the Department of Trade and Industry, the private sector has led the way in establishing links between Davao and Manado, capital of North Sulawesi, Indonesia. For example, Indonesia's Bouraq Airlines currently makes two weekly flights to Davao and Philippine Airlines is seeking landing rights in Labuan, which is being developed as Malaysia's financial center. Cruz adds that cross-investments have also begun. A Philippine fishing company, QBRO, has invested in a cold-storage facility and ship repair operation at Bitung, Indonesia, while the Indonesian company P.T. Intimas has bought into a soya oil processing plant in Mindanao.

Davao officials note other cooperative opportunities as well, says the 14 February BALITA. These officials suggest, for instance, that Mindanao might ship its rice and corn to Sabah and Sarawak and, perhaps, benefit from the two Malaysian states' oil and gas reserves. In addition,

since Manado lacks colleges and private hospitals, its residents could use Davao's facilities which are more easily accessible and more affordable than the facilities in Jakarta. Infrastructural improvements are also being planned, the paper adds, noting that the construction of overpasses and a four-lane road connecting Davao to the northern part of Mindanao, and the upgrading of Davao airport to international standards are all priority projects.

Syvelyn Tan, head of the Philippine Government-private sector group promoting investments in Davao, is quoted in the 12 February BALITA as saying that business confidence "has come slowly" to Davao because it used to be a battleground between Muslim and communist guerillas and government forces. Furthermore, Davao had the reputation of being a "crime and murder center." But now, Tan says, even the communist New People's Army has withdrawn, making room for peace and investment.

Most importantly, the 14 February BALITA concludes, the regional grouping is getting "full support" from the three governments involved. Malaysian Prime Minister Mahathir has endorsed the EAGA, while the Philippines and Indonesia have signed agreements for postal and shipping services between Davao and Manado, and have established a joint commission to handle border and customs issues.

Consortium To Undertake Water Project

Malaysian entrepreneur Eugene Campos will head a consortium that will undertake a $480-million, build-own-operate water project in Metro Manila. The project, expected to be completed in five to six years, will help accelerate infrastructure development and delivery of basic services, in line with the "Philippine 2000 Vision." The project entails financing, designing, constructing, managing, operating, and maintaining a water treatment plant with a capacity of 1,000 million liters a day. (Kuala Lumpur UTUSAN MALAYSIA 18 Feb 94 p 5)

Increase in Money Supply Noted

Money supply (M3), representing the total amount of currency in circulation plus savings deposits, time deposits, and deposit substitutes, stood at $17.14 billion in 1993, an increase of more than 22 percent over the previous year. On the other hand, broad money (M2), which is the total amount of currency in circulation, savings, and time deposits, rose by 24.49 percent to $17 billion. (Manila MANILA BULLETIN 26 Feb 94 p B-1)

Decrease in Foreign Investment Reported

Foreign investment dropped to $327.942 million in 1993 from $328.012 million the previous year. Less infusion from the major trading partners, Japan and the United States, accounted for the decline, but investment from Great Britain has risen. (Manila MANILA BULLETIN 7 Mar 94 p B-1)

SINGAPORE

OCBC Launches Fund for Investment in China

The Overseas Chinese Banking Corporation (OCBC) has launched the Savers China Growth Fund, offering investors a vehicle to invest in China. Initially, investors will have to buy

$10,000 worth of shares, while subsequent purchases will be transacted in $5,000 lots. OCBC is targeting retail investors and "wealthy individuals," and hopes to raise between $20 and $30 million. (Singapore BUSINESS TIMES 10 Mar 94 p 17)

Company To Build Oil Terminal in Nigeria

IPCO International has been awarded a $251-million contract to build an oil terminal in Nigeria. The project will be carried out by IPCO subsidiaries and is expected to be completed in 20 months. (Singapore BUSINESS TIMES 16 Mar 94 p 17)

THAILAND

Norwegian Company To Invest in Gas Venture

Norway's national oil firm Statoil is investing $96 million in the Bongkot gas field development in the Gulf of Thailand. This sum will be spent between 1994 and 1998 and represents the firm's 10-percent share in the project. Other investors include PTT Exploration & Production (40 percent), the French oil firm Total (30 percent), and British Gas (20 percent). (Bangkok XING XIAN RIBAO 14 Mar 94 p 3)

VIETNAM

Joint Venture With Daewoo To Assemble Trucks, Buses, Vans

The Machinery Union Enterprise 7983, under the Ministry of Defense's General Department of Economics and Technology, and South Korea's Daewoo group have formed a 30-year joint venture to assemble trucks, buses, and vans in Vietnam. The venture was licensed in December 1993, with an investment capital of $32.2 million. Prescribed capital is $10 million, of which the Vietnamese company is contributing 30 percent. (Hanoi THOI BAO KINH TE VIET NAM 23-29 Dec 94 p 3)

The new company, which is called Vidamco, has received approval from the State Committee for Cooperation and Investment. It is expected to produce 500 cars this year and 10,000 cars in the year 2000. (Hanoi VNA 0605 GMT 10 Mar 94)

Malaysian Company To Build Industrial Compound in Dong Nai

The Malaysian company Hwa Leong Ltd. has been licensed to build a $242.7-million industrial compound in Dong Nai, about 50 km from Ho Chi Minh City. The compound will consist of eight textile mills. (Hanoi TUAN BAO QUOC TE 20 Jan 94 p 7)

Interior Ministry Firm Forms Venture With Hong Kong Firm

The Interior Ministry's Thang Long Company, Vietranimex Co. from Hanoi, and Merry Dragon Development Ltd. from Hong Kong have formed a 25-year joint venture to produce license plates for motor vehicles, traffic signs, motorcycle helmets, and hard hats. The new venture, called Vietnam Transportation Safepromotion Co. Ltd., was licensed in December

1993. Investment capital in the venture totals $4 million, while prescribed capital is $3 million, of which the Hong Kong firm is contributing 60 percent. (Hanoi NHAN DAN 19 Jan 94 p 2)

Venture With Russian Company To Produce Tractor Parts

The Engineering Command's Lung Lo Construction Company and Russia's Uraltrac company have formed a joint venture to provide services and supply parts for construction equipment and tractors. Investment capital in the venture totals $1.8 million, while prescribed capital is $1.3 million, of which the two partners will have equal shares. The joint venture, called the Vietnam Uraltrac Construction Machine Joint Venture or Vu Trac Co., Ltd., was licensed in late October 1993. (Hanoi QUAN DOI NHAN DAN 9 Jan 94 p 4)

Cardphone Company Inaugurates Center in Ho Chi Minh City

Uniphonekad is a joint venture between the Ho Chi Minh City Post Office and Malaysia's Sapura Holdings Ltd. Investment capital in the joint venture totals $5.12 million, of which the Malaysian firm is contributing 68 percent. The new company recently inaugurated a cardphone center in Ho Chi Minh City.

As of August 1993, Uniphonekad has issued 79,000 cards in Ho Chi Minh City, with an average of 6,000 cards per month. The company plans to open 200 new phone booths in the city in 1994 and increase the number of cards issued to 8,000 per month. (Ho Chi Minh City THOI BAO KINH TE SAIGON 6-12 Jan 94 p 6)

Industrial Output Increases to $1.9 Billion in 1993

According to the General Department of Statistics and the Ho Chi Minh City Bureau of Statistics, Vietnam's industrial output was worth approximately $1.9 billion in 1993, a 12-percent increase over 1992. The average increase in the past three years (1991-1993) was 13.2 percent. The output by sector breaks down as follows: about $968 million from central state-owned industries (a 14-percent increase over 1992); about $539 million from non-state industries (a 9-percent increase over 1992); and about $374 million from local state-owned industries (a 10-percent increase over 1992). (Ho Chi Minh THOI BAO KINH TE SAIGON 6-12 Jan 94 p 40)

Electricity Output Increases Reported

Electricity output nationwide continues to show yearly increases: 8.9 billion kwh in 1990, 9.3 billion kwh in 1991, 9.8 billion kwh in 1992, and 10.8 billion kwh in 1993. When the 500 kv north-south powerline is completed in April, it will provide the south between 200 mw and 300 mw. Currently, almost all districts in the Red River Delta receive electricity from the national power network. (Hanoi THOI BAO KINH TE VIET NAM 5 Jan 94 p 1)

Export, Import Figures for 1993 Reported

According to the General Department of Statistics, total exports were worth $2.08 billion in 1991, $2.57 billion in 1992, and between $2.8 and $3 billion in 1993. Crude oil export reached 3.93 million metric tons in 1991, 5.4 million metric tons in 1992, and 6.31 metric tons in 1993. Rice export rose from 1.03 million metric tons in 1991 to 1.95 million metric tons in 1992, but dropped to 1.7 million metric tons in 1993.

Total imports for 1993 amounted to over $3.3 billion, a 31-percent increase over 1992. This does not include unofficial trade which, according to the Customs Department, reached approximately $390 million in the first eight months of 1993. An increase in almost all essential imports was noted in 1993. Total imports were worth $2.33 billion in 1991 and $2.57 billion in 1992. (Hanoi QUAN DOI NHAN DAN 19 Jan 94 p 7)

Among the export products that registered an increase of over 20 percent in 1993 are garments, textiles, ground nuts, tea, and aquatic products. Export products that showed a decrease of over 20 percent in 1993 include handicrafts, rice, and tin. Several import products registered an increase in 1993, such as steel and iron (116.1 percent), electronic components (73.6 percent), and oil and gas (26.7 percent) (Hanoi THOI BAO KINH TE 6-12 Jan 94 p 12)

Haiphong Tops Hanoi, Ho Chi Minh City in Industrial Growth

According to the General Department of Statistics, industrial growth in Haiphong in 1993 increased by 30.1 percent over 1992. Hanoi ranks second with an increase of 25.8 percent, followed by Ho Chi Minh City with 11.5 percent. (Ho Chi Minh City THOI BAO KINH TE SAIGON 6-12 Jan 94 p 40)

GDP Figures for 1993 Reported

According to the General Department of Statistics, the gross domestic product (GDP) in 1993 was about $11.6 billion, an increase of 22.78 percent over 1992. The breakdown by sector is as follows: agriculture and forestry(30.9 percent); industries (22.7 percent); trade (12.07 percent); other services (12.6 percent); state administration, national security, and defense (12.1 percent); capital construction (4.57 percent); communications, transportation, and postal services (4.1 percent); and other material production (.96 percent). (Ho Chi Minh City THOI BAO KINH TE SAIGON 6-12 Jan 94 p 5)

Korean Oil Company Reports Offshore Discovery

The ROK Petrol Development Company recently announced that it has discovered a well about 280 km southeast of Vung Tau Province, with a daily production capacity of 3,400 barrels of oil and 22 million cubic meters of gas. (Hanoi Voice of Vietnam 1430 GMT 7 Mar 94)

Hanoi Airport Expressway Opens

The recently opened $20-million, six-lane expressway linking Hanoi and Noi Bai International Airport is reportedly capable of handling up to 8,000 vehicles a day, traveling at 120 km per hour. It goes through an industrial zone at the western end of the capital and is a part of the east-south beltway that is going to be built. (Hanoi VNA 0614 GMT 10 Mar 94)

Norwegian Company Discovers Natural Gas Offshore

Norway's national oil company Statoil has discovered natural gas off the southern coast of Vietnam. Decisions are expected to be made in the next few months on Statoil's $400-million gas project that includes a compression station, a liquefying plant, and a pipeline from Vung Tau to Ho Chi Minh City. (Hanoi Voice of Vietnam 1000 GMT 14 Mar 94)